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THE PROGRESS OF THE EMPIRE STATE

A WORK DEVOTED TO THE HISTORICAL, FINANCIAL, INDUSTRIAL, AND LITERARY DEVELOPMENT OF NEW YORK

EDITED BY

CHARLES A. CONANT

AUTHOR OF "A HISTORY OF MODERN BANKS OF ISSUE," "THE PRINCIPLES OF MONEY AND BANKING," ETC.

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INTRODUCTION

THE purpose of this work is chiefly to record the progress of the city and State of New York within the past generation. The foundations of this progress date back to the settlement of New Amsterdam and the geographical position of the colony between the Eastern States and other portions of the Union. It is not the purpose of this work to ignore the part played by these events of our early history in building up the New York of to-day; but it is this story of to-day—of the present generation and of that which went before—to which it is chiefly devoted. Events have moved so rapidly within these generations that, from the industrial and financial point of view, out of the old New York have developed a new State and a new city.

The history of the city and State of New York is in many respects an epitome of the history of the American people. From the political point of view, New York was a dominant factor almost from the beginning of the history of the Colonies. The Revolution could hardly have been brought to a successful issue without the coöperation of her loyal people, and it was their adhesion which made possible the Union of 1789. The finances of the nation could not have been put upon a sound basis and American credit raised to the level of that of other civilized peoples without the services of New York's foremost citizen, Alexander Hamilton, and of the moneyed interests which lent him substantial support. And through the stress of civil war, it

was largely the loyal hearts and open purses of the business men of New York that made certain the triumph of the Union. If Virginia in the early days was "the mother of Presidents," New York became by the strong character of her political leaders and her large population "the pivotal State" in presidential elections and so remained almost without interruption, from the days of Jackson to those of Taft and Wilson.

It is principally with material and economic progress, however, rather than political, that this work will deal. The State of New York has, with slight variations, contained from the beginning of the Union from a twelfth to a tenth of the population of the country. This population grew in the case of the State from 340,120 in 1790 to 9,113,279 in 1910, while for the Union as a whole it grew from 3,929,214 to 91,972,267. New York was not the dominating factor among the States in population in 1790, however, which she has since become; for, while she possessed then, as now, about one twelfth of the population of the Union, the other eleven twelfths was in 1790 concentrated in less than twenty States instead of divided among forty-eight States, as at the present time. At the census of 1790, the population of Virginia was 747,610, or more than twice that of New York, and the Empire State was surpassed in the numbers of her people by Pennsylvania, with 434,373 inhabitants; by Massachusetts with 378,787; and even by North Carolina, with 393,751. It was not until 1810 that New York attained second rank among the States in population, and it was not until 1820 that she surpassed Virginia and attained the first rank, which she has since securely held.

The best proof of the position of the city of New York as the economic center of the United States is found in the flocking to the city of people of other States. Men of brains and large ideas have been drawn by an almost irresistible

magnet to the city which has become the depository of capital, the center of exchanges, and the moving force in all the great enterprises which in America give form and substance to civilized life. Of the population of 9,113,614 in the State of New York, in 1910 6,355,376 were born in the country, but only 5,647,063 in the State itself. More than half a million of her people are immigrants from other States, Pennsylvania alone furnishing 165,232, New Jersey 99,068, Massachusetts 60,900, Connecticut 43,882, Virginia 40,856, Ohio 34,913, and Maryland 17,360.

The predominance of New York in the American Union at the beginning of our history would not have signified much in comparison with larger cities in other countries. When Wall Street marked the upper limits of the thickly settled portion of the city, and aristocratic farms were found in the neighborhood of Washington Square, New York was a negligible factor in the finance of the world. She was overshadowed by London, Paris, Berlin, Antwerp, Amsterdam, Hamburg, Vienna, Frankfort, and other centers of the ten-century old civilization of Europe. To-day, only one city in the world surpasses New York in population; only two compete with her in the magnitude of their enterprises, the completeness of their commercial machinery, and the accumulation of wealth which is reflected in their brilliant cosmopolitan life.

The population of Greater London in 1904 was 6,907,756; of Paris in 1901, 2,714,068; and of Greater New York in 1910, 4,766,883. This increase, which has been going on in recent years at the rate of about 100,000 inhabitants per year, adding a new population the size of that of Boston or Baltimore every five years, explains in a measure the magnitude of the local transportation problem and the part which it has played in the financial history of the city. The first subway had hardly been opened in the autumn of 1904

when traffic grew up to its increased facilities and within three years congestion again became acute. Some idea of the proportions of this traffic may be gathered from the fact that the number of passengers carried on the local transportation lines of the State in 1902 was 1,144,509,000, which was nearly one-fourth of the total number—4,774,211,904—carried on similar lines in the entire United States. On the local lines of New York alone were carried more passengers by more than 60 per cent. than the 649,878,505 persons who were carried on all the steam railway lines of the country.

Rapidly as New York has grown in population, she has grown still more rapidly in wealth and in her control of the accumulated resources of the nation. Her total wealth, as computed by the Census Bureau, was $6,308,000,000 in 1880, and advanced to $8,576,701,991 in 1890 and to $14,769,042,207 in 1904. These figures, however, represent the visible physical property in the State and only partly include the great share which New Yorkers have acquired in the control of property in other States. This control, which it must be left for later chapters of this work to set forth fully, is the natural result of the position of the State as the channel of commerce between the West and the outer world and the function of the city of New York as the center of exchanges. To that city which has been the gateway of commerce and the center of exchanges has come in all ages the control and distribution of the national wealth, whether to Nineveh, Tyre, Athens, or Rome in ancient times; to Venice, Florence, Lyons, Bruges, Amsterdam, or Novgorod in the medieval world; or to London, Paris, or Hamburg in the world of to-day.

The city and State of New York have become, especially during the last two decades, a gateway through which passes the commerce of the nation. The commercial supremacy which the Erie Canal created, the railways have continued.

In round figures, more than one third of the exports of merchandise from the United States and more than half of the imports pass through the gateway of New York. Exports of merchandise from the United States for the fiscal year 1911 were $2,049,320,199. Of this amount, $772,552,449 went from the port of New York. Imports of merchandise were $1,527,226,105, and of this amount $881,592,689 entered through New York. To these totals Buffalo, Champlain, Oswegatchie, Oswego, Genesee, and Niagara added about $104,000,000 in exports and $50,000,000 in imports.

Inevitably, in order to finance such large operations, banking capital and enterprise have come more and more to be concentrated in the commercial capital of the Empire State. New York has gradually gathered within her strong hands the finances, the management, the control of most of the great enterprises of the country. Railway systems which formerly had their head offices in Boston or the West have come to New York. The resources of six great systems alone, amounting to nearly $7,000,000,000, represent more than half of the railway capital of the country. The head offices of most of the great industrial combinations are in New York. The transactions to which the country looks as a guide to values are those on the Stock Exchange of New York. The barometer of changes in financial conditions is found in the weekly statements of the Associated Banks of New York. The great engineering feats of the age—spanning the East River with great bridges, tunneling under the majestic Hudson, construction of subways of many miles, sinking the foundations of giant skyscrapers down into the bowels of the earth, and adjustment of sewerage, water, and lighting equipment to the congested needs of a city of four millions of people—have had their inception and their consummation in the city of New York.

Yours Very Truly,
Ellis H. Roberts

ELLIS H. ROBERTS

Writer and publicist born of Welsh parentage in Utica, N. Y., September 30, 1827; was trained as a printer while a lad. In Yale College, took prizes for English composition, for Townsend prize essay, for Bristed scholarship; elected by his classmates first editor of Yale *Literary Magazine;* graduated in 1850 second in merit in his class. Principal of Utica Academy, 1850–1851; editor of Utica *Herald*, 1850–1889. Member of New York Assembly, 1867; Representative in Congress, 1871 1875, serving on Committee of Ways and Means; assistant treasurer of United States in New York, 1889–1893; president of Franklin National Bank, New York, 1893–1897; treasurer of United States, 1897–1905. Married Elizabeth Morris 1851, who died in, Washington, D. C., July 21, 1903. President Oneida Historical Society and Fort Schuyler Club, Utica, N. Y.; president St. David's Society, Phi Beta Alumni, and Patria Club, New York; LL.D from Yale and Hamilton. Addresses delivered before American Bankers' Association and Bankers' Associations of many States. Author of *Government Revenue* and *Planting and Growth of Empire State.*

Progress of the Empire State

CHAPTER I

PLANTING AND GROWTH OF THE EMPIRE STATE

BY ELLIS H. ROBERTS

THREE nations of Europe in the early days claimed title to the domain now New York. The French, on the strength of the discovery of the St. Lawrence by Giovanni da Verrazano on the day of that saint in 1508, reached out to the sources of the streams flowing from the south into Lake Ontario as well as into that great river, and especially alleged that he visited New York Bay in 1524. The English grasped the Atlantic Coast from Nova Scotia to Florida and inland without limit, by virtue of the discovery of the continent by the Cabots in 1497. The Dutch frankly entered unoccupied lands "by deed of seizure," which hardly differed from the title of their rivals. The red men saw little choice between these suitors. Soon enough they felt the heavy hands of each of them.

A fourth claimant might appear in Spain under the bull of Pope Alexander VI. who gave to her all America, but Charles V. was kept busy nearer the tropics. A map of 1529 styles the region about the bay the "Land of Gomez,"

because a Portuguese of that name discovered the bay in 1525 under the flag of the same Emperor.

New York was to be fashioned by the struggles of Dutch and French and English with each other and with the red men. Her area, with shadowy limits at the start, was clipped by repeated excisions to 47,620 square miles, lying between north latitude 40° 29′ 40″ and 45° 0′ 42″ and longitude 71° 51′ and 79° 45′ 54″ west. The extreme lines are 311⅔ miles from north to south and 412 miles from east to west. Mountains, belonging to the Appalachian system, and between them rivers and lakes with their fertile valleys, are the main features. The single gateway from east to west is by the Mohawk Valley.

A marked asset of the domain is its natural waters. Its boundaries are in great part lakes, of which 879 miles are navigable. A strait of the sea sets off Long Island, and the broad bay invites navigation. The inland lakes, varying in extent, are counted by hundreds. The streams, with a general course to the north and south, flow to all points of the compass. Some, as branches of the Mohawk and the Hudson, discharge into the ocean through the bay; many find their way by Lake Ontario and the St. Lawrence northeastward; and thither also Lake Champlain carries its affluents. The Susquehanna flows to Chesapeake Bay, and Delaware Bay receives many streams. Cattaraugus Creek finds its outlet in Lake Erie, while the Allegheny runs into the Ohio and thus into the Mississippi and the Gulf of Mexico. The factory and the electrician, as well as the artist, meet with no lack of waterfalls, while the islands in sea, lake, and river are abundant, and not the least among the gifts of nature.

In the era of Columbus, and when the French and the Dutch came in, five nations of red men held the country inland and bore sway over minor tribes near the Hudson and

the sea. They built cabins, tilled the soil, raising wheat and maize, kept orchards bearing several kinds of fruit, and their tribal organizations were joined in a confederacy. The French called them Iroquois. They numbered about twelve thousand. Their canoes were familiar on distant as well as near-by waters. They were noted hunters and collected furs from far regions. Their prowess in war carried terror to their enemies to all quarters. They impressed the early settlers by their skill in trade and their shrewdness in diplomacy, while as orators some of their chiefs have been ranked by critics with the classic masters.

Not until one hundred and twelve years after Cabot's report, and eighty-five years after Verrazano's vision of the bay, did white men drop here the first seed of settlement. The domain lay barren for these generations. Jamestown had been planted in 1607. Plymouth was not to receive the Pilgrims of the *Mayflower* until 1620. Samuel de Champlain, the first governor of New France, was enticed by the red men about Montreal to join them in a raid of revenge against the Iroquois, and in July, 1609, he and his allies gained transient triumph on the banks of the lake which bears his name. In another raid six years later, near Oneida, he was defeated and forced to retreat.

Two months after Champlain's first invasion, the *Half-Moon*, flying the flag of the Netherlands, brought Henry Hudson, September 3, 1609, into the river which perpetuates his fame. The next year, the first settlers came under Dutch auspices.

Champlain planted no acorn for the growth of an oak. Armies and missionaries came to harry and to teach the Iroquois; the soldiers, whatever their daring, hardly left a trail; the fathers of the Cross set up their faith, and their works do follow them. The Dutch put out bulb and nut, to grow into strength and beauty.

The French king might respond to the appeals of the governors of Canada, and denounce the Five Nations as "perpetual and irreconcilable enemies," as he did in 1665, and order that war should be waged "even to their firesides in order totally to exterminate them." Tracy, Courcelles, Talon, De la Barre, Denonville, might march their trained European veterans into the forests to learn how quickly and how surely the red men could hide in their fastnesses. Even Frontenac, with skill, experience, and reputation won in Italy and Candia, might burn Schenectady, might threaten Albany, might surprise Indian castles at Onondaga and Oneida; but neither the complacence of Charles II. nor the grand schemes of Louis XIV. could secure New York for the French, nor crush the spirit of the Iroquois, to whom the wilderness offered escape from invaders, whatever their force and power to harm. The treaty of Ryswick in 1697, between England and France, brought peace to red men and French as well as to the English colonies which had been drawn into the war.

Meanwhile the Dutch had planted settlements, had prospered and suffered, and then had put an end to their occupation by surrender to the English. Adriaen Block arrived in 1616 and came out again a year later, when, having lost one of his ships by fire, he built to take its place a vessel which he named the *Onrust* and so began marine construction here. A company of Amsterdam merchants, with a charter for exclusive trade to this region, entered into arrangements of amity with the red men, but soon competitors grasped a share in the traffic. Larger designs took shape when the West India Company started with its world-wide schemes. For this colony the first fruits were the landing in 1623 of immigrants, mostly Walloons, who built Fort Orange. The Dutch directors in course satisfied their land hunger by seizure or nominal purchase of large tracts,

and the system of patroons arose in immense estates. William Kieft, whose rule of ten years as director ended in 1647, by stress of disastrous war with the Indians caused by his own folly, was forced to appeal for a council to help him.

The Council of Eight framed a grave indictment against the director and appealed to the authorities in Holland. They held him guilty for the Indian war and for imposing taxes without authority; while they charged that he had falsely stated the resources and growth of the colony. His removal and a new policy were demanded. The home authorities accepted the conclusions of the Eight. He sailed for Amsterdam with a fortune of 400,000 guilders, large for those times, and with the hatred of the people, but the vessel was wrecked in the British Channel and he was drowned.

The last and most picturesque of the Dutch director-generals was Peter Stuyvesant (1647), who had served in like station in Curaçao. He inherited the quarrels of Kieft, but he was guided by new instructions, which ordered him to guard against encroachments on the borders, to preserve peace with the Indians, and to encourage the settlers to dwell in villages. He met with trouble inside the colony and beyond its borders. The West India Company, at first rich by capture of Spanish galleons, drifted into bankruptcy. Patroons and others became its rivals in trade with the Indians. The settlers grew hostile over its demands for tribute and its refusal of aid. English hamlets on Long Island were restive under the Dutch sway, and sought a voice in administration. Quarrels arose over the rights and tenure of clergymen. In the hope of relief, a popular convention met in New Amsterdam, December 10, 1653, to which four Dutch and four English towns sent ten delegates of Dutch birth and nine of English birth. This body adopted a remonstrance to the States-General against the

conduct of the director and council in passing laws and appointing officers without consent of the people and in granting large tracts of land to favorites. At the same time, Indian outrages were perpetrated at many points, while the New England colonies were aiming to oust the Dutch authorities from New York.

The city was helpless when an English squadron, sent in time of peace by the Duke of York to enforce his claims to the domain, blockaded river and bay, and its commander, Colonel Richard Nicolls, on August 29, 1664, demanded surrender. Long Island was in revolt, Massachusetts and Connecticut were ready to join in assault, the fort was untenable, the garrison was small and poorly equipped. What could Stuyvesant do? Clergymen and men and women urged him not to give pretext for bombardment by the fleet or attack by the soldiers. He could do nothing but surrender, and on September 8th the garrison was allowed to "march out with their arms, drums beating and colors flying, and lighted matches."

The English bore sway in the province, which they named New York, for nearly nine years, until August 7, 1673, a Dutch fleet anchored off Staten Island and discovered that in the interval little had been added to the defenses of the city. The guns at the City Hall were spiked by the inhabitants. The Dutch commanders granted only half an hour's delay for answer to their summons to surrender, and opened their broadsides on the fort, killing and wounding some of the garrison. The defenders returned the fire and "shot the general's ship through and through." From the fleet six hundred men were landed and were joined by four hundred burghers. They were met with a message that fort and garrison would surrender with the honors of war. The Dutch resumed control and restored the former names and administration, with the successful Admiral

Colve as governor. The restoration was to be short; it was creditable, but it was the end of Dutch rule on this continent. By the treaty of Westminster, signed February 19, 1674, England and Holland, in making peace, agreed to restore to each other all lands captured during the war, and this domain became finally New York.

When Major Edmund Andros took possession for James, Duke of York, of the lands in America granted to him by the King, the white inhabitants in Manhattan and Long Island and along the Hudson River did not number twelve thousand. The fur trade was a chief industry, but cattle and implements had been imported to broaden agriculture. A start had been made in simple manufactures. Commerce in American waters and with Europe was striving for more than mere existence. The neighboring colonies, now that all were under the British flag, no longer had pretext of race to threaten hostilities. The interests of New York ceased to be those of a foreign power, and its experience turned into the common channel of the continent.

Yet the Duke of York and the governors who acted for him had a policy of their own. The period from the seizure in 1664 to the recapture in 1673 was marked by the promulgation of the "Duke's Laws"—not illiberal in those days from a source claiming arbitrary power; by a change in the mode of government in the chief city; by the denial of any claim by Connecticut over Long Island; by the gift by the Duke of York of New Jersey to Lord Berkeley and Sir George Carteret, thus narrowing the borders of New York; and by refusal to allow a legislature to be elected by the people. Francis Lovelace, the second governor, ran into debt to the Duke of York and returning to England was arrested and his estate confiscated. While he was attending to troubles in New Jersey, Captain Manning was acting as governor at the time that the Dutch fleet restored the flag

of the Netherlands, and when the English came into power again the captain was cashiered for the surrender and his sword was broken over his head.

Andros set about his business with stern vigor. He required the Dutch burghers against their protest to take a strict oath of allegiance. One Jacob Milbourne, whom he arrested as a "mutinous person," gained in London a verdict of £45 against him. He landed a force on the Connecticut River to assert the Duke's title there, and soldiers were sent to Martha's Vineyard and Nantucket for a like purpose. At Pemaquid in Maine he built a fort and claimed the vicinage as a dependency of New York. He sought amity with the red men, and on a visit to them penetrated "nearly a hundred miles beyond Schenectady," to the sources of the Mohawk. In a conference with him in Albany the Iroquois expressed their good will. By a board of commissioners of Indian affairs, with Robert Livingston as secretary, he aimed to secure permanent peace with them.

Starting with Andros, the colony lived under thirty-three governors, including lieutenants acting as such, before the Revolution. They were of various characters. Thomas Dongan (1683–1688) was prudent, well-meaning and efficient and less greedy than some of his successors. Lord Cornbury (1702–1708) was a spendthrift, wasteful and reckless, was imprisoned and removed, yet was to become Duke of Clarendon. Robert Hunter (1710–1719) strove for the common welfare, promoted immigration from the Palatinate and left a good record. William Burnet (1720-1728) added fuel to the strife over the appointment, powers, and salaries of judges. George Clarke (1736–1743) stands forth chiefly as conveying to England in emoluments the great fortune of £100,000.

Under unwilling concession from the Duke of York, an assembly met October 17, 1683. In the "charter of liber-

ties," that body declared that under the king and lord proprietor "the supreme legislative authority shall forever be and reside in a governor, council, and the people met in a general assembly." James, when he became king, noted that this was the first mention of "the people" "in any constitution in America." The suffrage was given to all freeholders, and entire freedom of religion was enacted. Twelve counties were provided—New York, Westchester, Ulster, Dutchess, Orange, Albany, Richmond, Kings, Queens, Suffolk, within the present State, while Dukes County covered Nantucket with Martha's Vineyard and dependencies, and Pemaquid and adjacent territory formed Cornwall.

Chief incidents of this period were disputes with Governor La Barre of Canada over the boundary and with the red inhabitants, and a conference, July 30, 1684, with Lord Howard of Virginia and the Iroquois chiefs relative to the raids of their tribes to the south. A treaty of peace was signed at Albany. Governor Dongan relied on the Indians as the "bulwark" against assaults by the French, while he provided forts at Ticonderoga, Oswego, and Niagara.

Sir Edmund Andros, returning as Governor-in-Chief and Captain-General of all the English colonies in America, came August 11, 1688, from Boston, where he was the local governor, to New York, to assume the broader authority. After a brief visit here, he chose to reside in the former city. In his general council of forty-two, eight members represented New York, but this colony was restive over the favors granted to its eastern neighbors, nor did the course of Andros in taking from New York all of its counties of Cornwall and Dukes tend to allay the bitter feeling. Captain Francis Nicholson, acting as Lieutenant-Governor, represented King James here when he fled and gave way to William and Mary as sovereigns of Great Britain.

The change in the succession to the throne threw the colonies into excitement. Governor Andros was arrested in Boston and a committee of safety took his place. With his chief under arrest, it was claimed that the authority of the lieutenant in New York ceased. Nicholson could get no advice from Andros, and his own wisdom went only so far as to declare that "it was most safe to forbear acting till the minds of the people became better satisfied." But men whose minds are stirred up will not "forbear" at the behest of a royal agent.

Because King William was a Dutchman and had been a friend of New Netherland, a party arose relying on his support, as Nicholson did not recognize the great revolution in England. Jacob Leisler, a captain of militia, refused to pay duties to the collector, and Fort James was held by the recusants. Nicholson demanded its surrender, and on refusal, angrily said to the officer in charge, "I would rather see the town on fire than commanded by you." These words were interpreted as a threat to burn the city and massacre the inhabitants. It led to the calling out of the militia, to whom he gave up the keys of the fort. Leisler and five other captains with four hundred men issued a proclamation that they awaited orders from the "power that now governeth in England," while Nicholson abandoned his post and sailed for home.

Into this vacuum in administration Leisler stepped boldly. He summoned a popular convention to which only a part of the towns elected delegates (1689), and the body constituted itself a committee of safety. This committee designated him captain of the fort and soon after raised his rank to that of commander-in-chief with full discretion, which he wielded despotically. He called a second assembly and all the counties except Queens and Suffolk chose delegates, who met April 24, 1690, to provide a

revenue, and again in September, when it clothed Leisler with power almost unlimited. Upon his invitation the first Congress of the American Colonies was held in New York, May 1, 1690, for the purpose of organizing a joint expedition against Canada. The results were meager.

Before the arrival of Henry Sloughter to be governor, Major Richard Ingoldsby landed (September 10, 1690) with two companies of soldiers. Upon refusal of his summons for surrender of the fort, a collision occurred March 17, 1691, when Leisler's militia lost six killed, while of the soldiers two were killed and several wounded. Only two days later Sloughter came, to whom Leisler gave up the fort, and with his chief supporters was put in prison. Charged with treason and murder, they were the next month put on trial before a court framed out of their known enemies by the new governor and his council. Eight were convicted, but in time all were discharged, except Leisler and Milbourne. In their behalf, petitions for pardon or mitigation of sentence were of no avail. They were hanged May 16, 1691, and have the distinction of being the only persons in this State or in the Union to suffer death on the charge of treason. In 1695 the British Parliament reversed the attainder of Leisler and his associates and annulled their convictions; Leisler's appointment by the Assembly was expressly recognized, while Ingoldsby's demand for the fort was pronounced "without legal authority." Leisler had the faults of arbitrary power; he had the virtues of courage, zeal, public spirit, and his death is a stain on the escutcheon of the colony.

The burdens of expeditions against Canada led to repeated issues of paper money. In 1738 a provision was embodied in an act authorizing £48,350 that £40,000 of the sum should be apportioned to the counties to be loaned on mortgage in amounts not less than £25 nor more than £100, at 5 per cent. For the French war from 1755 to 1759 further

issues were voted to the amount of £193,000. The Assembly all the while was watching the revenue and outlay and finally insisted on specific grants for one year only. It denied time after time the right of the British Parliament to levy taxes on the colony, and rested its own powers on the "free choice of the people." The Attorney-General reported to the Lords of Trade (1729), "Most of the previous and open steps which a dependent province can take to render themselves independent at their pleasure are taken by the assembly of New York."

The administration of William Cosby (1732–1736) is memorable for the legal assertion of the liberty of the press. Burnet started the *New York Gazette* (1725) as an official organ, from the press of William Bradford, the first printer in the colony. The other party set up the *New York Journal* as a rival (1733), under the control of John Peter Zenger, who waged war in such fashion that he was the next year arrested for libel and put on trial by the Attorney-General on information. The jury found a verdict of not guilty, on the plea that the publication was true. The doctrine was far in advance of any other legal utterance of that period in behalf of freedom of debate in print.

The annals of 1741 are blotted by the popular passion over an alleged negro plot to burn New York City. A fire in the chapel and barracks at Fort George on the Battery, was attributed to the blacks, and it was charged that Spaniards had emissaries in the work of destruction. The forms of justice were observed, but madness sat on the bench. A preacher named Ury was hanged protesting his innocence; Hughson, a tavern-keeper of the lower sort, with his wife and servant went to the gallows. Thirteen blacks were burned at the stake, eighteen were hanged, and seventy transported, for a conspiracy which had no existence, even if some were guilty of sporadic crimes.

Theodore Roosevelt

THEODORE ROOSEVELT

Ex-President of the United States; born in New York City, October 27, 1858; son of Theodore Roosevelt (merchant and philanthropist) and Martha (Bullock) Roosevelt; graduated Harvard, A.B., 1880; received degree of LL.D. from Columbia, 1889; Yale, 1901; University of Pennsylvania, 1905; Harvard, 1909. Elected 1881 and reëlected 1882 and 1883 member New York State Assembly; Republican nominee for mayor 1886, but defeated by Abram S. Hewitt; appointed member United States Civil Service Commission, 1889, but resigned that office in 1895 to accept presidency of Police Commission under administration of Mayor Strong. Assistant Secretary of the Navy, 1897. Resigned, when war with Spain was declared, and with Dr. Leonard Wood, organized in 1898 the First Regiment United States Volunteer Cavalry, recruited from the West and popularly known as the "Rough Riders." Elected in 1900 Vice-President of the United States; succeeded to Presidency on death of President McKinley, September, 1901; elected President in 1904. Author, *History of the Naval War of 1812*, 1882; *The Winning of the West*, 1889, 1896; *The Strenuous Life*, 1900, and many other works. Made trip to Africa, 1909–1910; candidate of Progressive party for President of the United States, 1912.

The air in the ten years in which George Clinton was governor (1743–1753) was surcharged with storm. The British government, resenting French aggression in America and with other grievances, was purposing to renew hostilities, and the horrors of border raids fell on New York. The governor wanted to control expenditures for peace and war; the Assembly held firm grip over the finances and the militia. For a movement against Canada, out of a population of 61,586, a force of 1600 men was kept in the field by bounties and impressment. Six block houses were built between Saratoga and Fort Stanwix, and New York Harbor was put in better state for defense. But Saratoga was burned: settlers were killed at Schenectady and Herkimer. Colonel William Johnson began his career, and a letter is extant in which he asks for money to pay for twenty-nine scalps and prisoners brought in by his scouts, for he tolerated Indian methods.

The British government was lax in its promised aid for the war; Clinton lost the friendship of the Iroquois; his quarrels with leaders added flame to his differences with the Assembly, which he said "had no authority to sit but by the King's commission and instructions" to him. The popular life grew in vigor; schools and churches multiplied; the commonwealth in spirit as in resources was reaching out for self-control.

The French war forced local strife into the background. James De Lancey held sway as lieutenant-governor (1755–1760), with two nominal governors for brief periods. To enlist the Iroquois and to combine the colonies, a congress was held in Albany, June 14, 1754. New England, Pennsylvania, and Maryland, as well as New York, were represented, and a form of union of the colonies was adopted, but it was never put into operation. A conference of governors in Virginia the next year proposed four expeditions against the French, and De Lancey was present for New York. One was to seize Fort Niagara; another was

to retake Crown Point. The defeat of General Braddock made interior New York the main theater of conflict, and the advance against Niagara stopped at Oswego. On the eastern border, the French confronted the colonial forces under Colonel Johnson at Fort Edward where a battle was fought, and the invaders were defeated, with a loss of 400 killed and wounded among the French, 312 to the colonists, and 40 to the Iroquois.

A grave evil befell the colony when Parliament decided to keep a permanent army in America and to quarter its regulars on the inhabitants, for they were only a grievance and not a defense. The Earl of Loudon as commander-in-chief arrived in July, 1756, and had 10,000 men subject to his orders. Montcalm with his red allies was more active and efficient than were the British, and ravaged on Lake George and the Mohawk to Rome as well as along Lake Ontario. By the final defeat and death of Montcalm at Quebec, Canada became British, New York was saved from further invasion from that quarter, and amity with the Indians on its soil was restored. The colony had poured out men and money freely for defense. With a population in 1756 of only 83,233 whites and 13,542 blacks, it had kept a force of 2680 in the field and incurred a war debt above £300,000 with a tax levy of $40,000 a year.

Governor and judges sought to have the judicial tenure run "at his Majesty's pleasure," while the Assembly would pay salaries only if the commissions were during good behavior. Lines of political division were drawn between Episcopalians on one hand and Presbyterians and other dissenters on the other. Over the judiciary and taxation, over the restriction of trade, manufactures, and immigration, petitions and addresses to the King, to the Lords of Trade, to the Governor, to Parliament, reciting abuses and calling for remedy, grew in number, in vigor, in eloquence, in 1763 and

1764. They demanded "exemption from the burthens of ungranted involuntary taxes as the grand principle of every State," and prophesied "the tragical consequences to the crown, the mother country, the colony and to posterity" of the denial of rights and of the wrongs endured. New York by its assembly October 18, 1764, clothed a committee with power to "correspond with the several assemblies or committees of assemblies on this continent, on the Sugar Act, the act restraining bills of credit from being a legal tender; and the several other acts of Parliament with relation to the trade of the northern colonies; and also on the impending dangers which threaten the colonies of being taxed by laws to be passed in Great Britain." Thus began official action looking to American union for the assertion of American liberty.

Cadwallader Colden, as lieutenant-governor, wielded the executive authority from 1760 to 1765, although Robert Monckton for a while held the title of governor. Colden came into conflict with the Assembly by an attempt to enforce an appeal from the verdict of a jury by extending admiralty jurisdiction. The assembly vigorously reiterated the popular demands. In a colonial congress, without delegates from Virginia and Georgia, which met in New York, this colony took part by its committee. A petition to the King by Philip Livingston, and a "declaration of rights and grievances" by John Cruger, both of New York, were adopted. October 31, 1765, the day before the Stamp Act went into effect, the merchants appointed a committee to agree on a general policy of resistance.

Mobs burned Colden's carriage and hanged him in effigy and scuttled the house of the commandant at Fort James. When the stamps arrived, the acting governor was compelled to hand them over to the patriot mayor and corporation. Less violence, but a like temper, was shown in Albany. The Sons of Liberty, a club dating from Zenger's

trial, declared they "would venture their lives and fortunes effectually to prevent the Stamp Act." Joy at the repeal of the act was turned into grief by a demand by the London authorities that the assembly should provide quarters, firewood, drink, soap, and candles, for as many soldiers as might be sent. The assembly temporized, but opposition was strong among the citizens and collisions occurred between them and soldiers. Sir Henry Moore, who had become governor, tried in November, 1765, to force the asssembly to vote the required provision, but two prorogations led only to refusal. Parliament (1767) forbade the assembly to pass any acts until it had complied with the demand for care for the troops, and this suspension lasted for two years.

Meanwhile, in 1768, a conference was held at Fort Stanwix in which Sir William Johnson for New York, with delegates from New Jersey, Virginia, and Pennyslvania, met thirty-two hundred red men of the Six Nations, the Delawares, and the Shawnees. By formal treaty a boundary line was fixed, land and concessions were granted to the crown, and £2000 was paid to the Indians.

A new assembly in 1769 appropriated £2000 for the British troops by a majority of one vote, and was denounced for it by a meeting in New York City of fourteen hundred citizens. By strict adherence to a policy of non-importation New York lost five sixths of its trade, which thrifty neighbors gathered in. In 1770, tea only was excluded from import here.

British soldiers tried to saw down a liberty pole set up on the repeal of the Stamp Act, and on a third attempt cut it into billets. They were denounced at a meeting in the city park, and three of them were seized while posting a scurrilous handbill. A rescue squad of soldiers was resisted by a party of citizens, but was reinforced. On Golden Hill, January 18, 1770, blows were dealt, several were wounded on

both sides, and the next day a sailor was pierced through the body unto death. The soldiers were finally driven to their barracks, while a new pole was erected to celebrate the popular victory, won by irregular fighting against British troops and colored by the first blood in a contest to broaden into the Revolution.

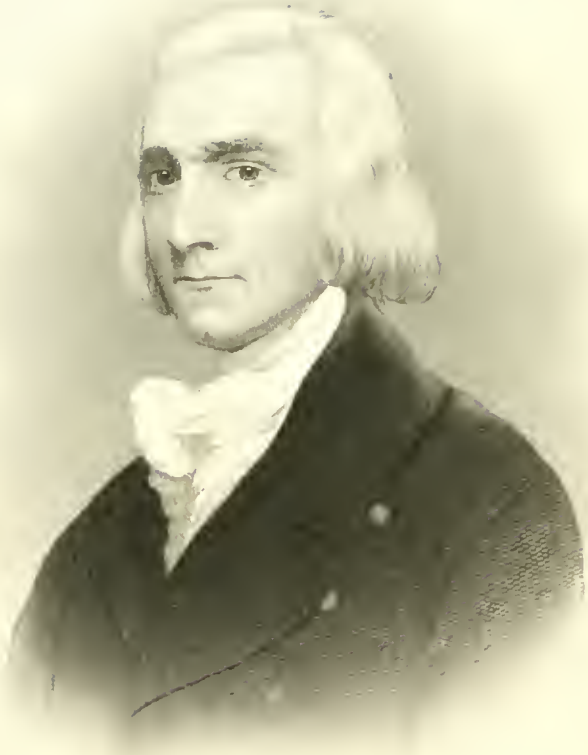
A public meeting in "The Fields" resolved that no tea should be imported, duty or no duty (December 16, 1773), and when some arrived in April, 1774, it was cast into the river. The assembly January 20, 1774, provided for a committee for correspondence with the other colonies. When a general congress suggested by New York gathered in Philadelphia September 5, 1774, John Jay and Philip Livingston of this colony were placed on the committee to report the Declaration of Rights. The New York assembly refused to approve, even to consider, the action of that congress, but the Tory majority so brought the assembly to an end. It gave way (April 20, 1775) to a provincial convention. The initial steps toward the Revolution were bold and rapid, although wealth was timid and the Episcopal Church was loyal, and later the British army with its headquarters in New York won no little social support.

In the long and trying war for independence, the first forts taken, the first British garrisons captured, were on the soil of New York. The evacuation of its chief city signaled the actual dawn of peace. Ticonderoga, Crown Point, Long Island, Fort Washington, Oriskany, Saratoga, Stony Point, belong to national history, as do the flank attacks on the interior settlements by Indians and Tories and their dire punishment by General Sullivan's campaign. So, too, the proceedings of the Continental Congress are the affairs of all the colonies. In the session of May, 1775, New York, through George Clinton, Robert R. Livingston, John Jay, and James Duane, asked counsel relative to the proper

action toward British troops seeking to enter the harbor, and received advice not to oppose them by force. In the Continental army Philip Schuyler was appointed a major-general, Richard Montgomery a brigadier-general, and Alexander McDougall as first colonel in New York's quota.

When in the autumn of 1776 disaster compelled Washington to abandon New York, the British made the city the base of their military operations and held it until November 25, 1783. They created traffic; but they brought the ills of a garrison town and they had here their land prisons and their ships for detention of captured patriots, redolent with scandals and horrors.

The Convention of the Representatives of the State of New York was the style adopted by a body which met in its chief city July 9, 1776. It pledged support of the Declaration of Independence, and a form of government, reported by John Jay as chairman, to go into effect when the military operations permitted, was adopted April 20, 1777. The Constitution was for its day liberal and judicious. John Jay was appointed as chief justice, Robert R. Livingston as chancellor, and John Morin Scott was named as chairman of a committee of safety to serve until the legal machinery could be set in motion. At the first election George Clinton was chosen governor, with Pierre Van Cortlandt lieutenant-governor. Clinton was to be seven times elected to the same high office and was to become Vice-President of the United States. New York approved the Articles of Confederation February 6, 1778. The hanging of Nathan Hale as an American spy and of Major André as an aid to Benedict Arnold's treason gave a tinge of personal tragedy to the period, while Newburg was the scene of an attempt by some officers to intimidate Congress, which was checked by the sagacity of Washington. In framing the treaty of peace Jay was an active factor, as Alexander Hamilton, another



JOHN JACOB ASTOR

Merchant and capitalist; was born at Waldorf, near Heidelberg, Germany, July 17, 1763. When sixteen years of age, went to London and worked for four years in the piano factory of his uncle, who was a member of the firm of Astor & Brandwood. Going to America, he heard of the profitableness of the fur trade, which he learned thoroughly in the service of a Quaker furrier. He then started out for himself, made favorable arrangements with fur houses in London, and soon became chief competitor of the Hudson Bay Company in the London market. The settlement of Astoria was founded in 1811 at the mouth of the Columbia River. Mr. Astor organized the American Fur Co., which built up an international trade, extending to China and other Asiatic countries. He invested in government securities during the Civil War, when they were selling at from 60 to 70 cents on the dollar, and made sagacious investments in real estate in New York City, erecting from time to time handsome structures on the land acquired. He fell in with the proposition of Washington Irving for a public library for New York, and left $400,000 for the foundation of the Astor Library. He made many bequests to charitable institutions during his life and by his will. He died March 29, 1848.

New Yorker, was one of the architects and advocates of the national Constitution.

The State hesitated and was slow in ratifying that document. Parties divided on the question. The opposition argued that too much power was given to the new government. Ratification was voted finally by a majority of thirty against twenty-seven in the convention. Five amendments recommended by New York were added to the Constitution and are vital parts.

The State had been stunted in its growth by the long and varied hostilities on lakes and rivers in the interior, and between patriots and tories, and peace brought its natural opportunities. Folly ruled to the last in the treatment by the commonwealth of its immense domains. The Dutch gave lands away by the thousands of acres to governors, patroons, and favorites. During the life of the British Colony official greed was rampant, and estates were seized greater than principalities. It was left for a commission with Governor Clinton at its head to sell 5,542,173 acres for $1,030,433, of which 3,635,200 acres went to Alexander McComb, who paid for much of it only eight pence an acre. In 1786, by an adjustment with Massachusetts, this State acquired 6,230,000 acres in the middle and western counties. These lands passed into the hands of the Holland Land Company and gradually were sold to settlers.

As settlements pushed into the new lands, roads were constructed from the Mohawk to the interior lakes, while postriders and stages began their regular trips from Albany to the several points of the compass. Agriculture, manufactures, schools, churches, kept pace with growing population, while foreign commerce rapidly expanded; in the meantime the fur trade with its profits passed away.

The Continental Congress December 23, 1784, chose New York for the national capital, and there the first session

under the Constitution was held, beginning March 30th and April 6, 1789, but the city ceased in December, 1790, to be the seat of the central government.

New York failed to vote for President when Washington was first elected, because of disagreement between the supporters of Governor Clinton and the party led by Alexander Hamilton, in due time to be Secretary of the Treasury. They held divergent views over the constitutional procedure in the two houses of the Legislature. At the initial election for State officers, while Clinton was retained as governor, the Federalists secured a majority in both the Senate and assembly. Contest over the returns in 1792 closed with a certificate for Clinton over John Jay for governor, but the Legislature was in accord with Clinton and gave him the votes of the State in the electoral college in an unsuccessful canvass for Vice-President. Jay was made governor in 1795.

The cauldron of politics boiled more fiercely when Aaron Burr arrayed himself against Clinton and joined Hamilton as a Federalist. He was sent to the Senate of the United States in 1791, and became a candidate for Vice-President in 1796. He took active part against the Jay treaty, and when he wanted to return to the Assembly in 1799 was defeated chiefly on account of a charter which he secured for the Manhattan Company, ostensibly to furnish water but really a bank. In 1800 Burr organized a movement for Jefferson for President, with himself for second place. Electors were chosen on that basis. The complication which followed when Jefferson and Burr received each seventy-three votes in the electoral college led to serious results. Hamilton turned the scales, making Jefferson President and Burr Vice-President. The quarrel grew until Hamilton was killed in a duel, and Burr entered on a career which rendered him a fugitive, to die at last in 1836 in obscurity and loneliness.

The rivalries of Hamilton and Burr are typical of in-

fluences less tragical which have kept down the share of New York in national affairs. The State has been so large that the factions in each party have been as powerful as the regular parties elsewhere, and they have often shut the door on the ambitions of each other. Sometimes the factions have divided on matters of principle; more often they have been arrayed on personal grounds. Probably also the great prizes in the professions and in business, as the commonwealth developed, turned many master minds away from public affairs.

This personal jealousy De Witt Clinton had to meet. Senator of the United States in 1802, Mayor of New York City in 1803, he aspired to the Presidency in 1808, but the opposition at home was virulent and fatal. His uncle, the Vice-President, was also ambitious for the first place, but in the electoral college received only six votes. In 1812, electors in favor of De Witt Clinton were secured from New York, while the Federalists in other States made him the party candidate. But Daniel D. Tompkins, who had been chosen governor in 1807 by an alliance with Clinton, had schemes of his own, and other former local friends gave no aid, so that in the electoral college Clinton secured only 89 votes against 128 cast for the renomination of Madison. The services of Clinton were to be devoted to his own commonwealth.

The Embargo Act of 1807 struck a heavy blow at the commerce of New York, and the State became earnest for repeal and in favor of the non-intercourse policy of 1809. The British orders in council, the decrees of Napoleon from Berlin and Milan, and the impressment of seamen by Britain touched the vital interests of the State and threatened their ruin. But knowledge of its own perils, with harbor and borders open to attack, led to deliberation when war clouds gathered. However, the moment the second conflict with

Great Britain actually began New York put forth every effort for the nation and for its own defense. Tompkins continued as governor by successive reëlections, as his energy and self-sacrifice deserved. On Lake Ontario and the St. Lawrence, on Lake Champlain and its affluents in the summer and autumn of 1812, attack and counter-attack followed each other on land and water, but General Dearborn who commanded the American forces fell under criticism for lack of zeal. The campaign of 1813 on the northern frontier was full of incident, but General Wilkinson who was in chief command became ill. All dreams of advance against Montreal proved futile, and new sufferings were added to the record of New York. In the next year (1814), General Winfield Scott won the battle of Chippewa July 5th and was successful at Lundy's Lane July 25th, as was General Jacob Brown August 15th before Fort Erie, but the last gain was lost under other leadership in October. On the Saranac and in Plattsburg Bay Commodore MacDonough with General Macomb repelled an invasion of 12,000 British by their dash and skill.

Rumors of attack on New York City were rife in August, 1814, from the sea and even down the Hudson. Privateers were sent out; on the fortifications everybody was set to work, while a levy of the entire militia of Oneida, Lewis, and Herkimer called out the mass of the citizens. But the Americans warded off attacks at the north, and Commodore Decatur in the Sound and near-by waters inspired confidence. The popular response was prompt and generous, although frontier settlements were almost ruined and their inhabitants impoverished, and in the chief city business was for the time in large part destroyed. New York performed its full duty in the crisis. The treaty of Ghent, ratified early in 1815, gave the desired change from the tasks of war to the privileges of peace,—to broader manufactures, to revived com-

merce, to the extension of the policy of improving the natural waterways and of adding to them.

As early as 1768 Governor Moore suggested a canal to avoid the rapids in the Mohawk at Little Falls, for that river was used by boats of divers sorts. Men's minds for two score years were pondering better facilities. Gouverneur Morris and De Witt Clinton with others asked for national aid for a canal to join Lake Erie with the Hudson, but could get no favorable response. They estimated (1811) that the cost would be $5,000,000 and the freight carried within a century would amount to $100,000,000 a year. In fact that value was $305,301,920 in 1867 but was only $66,331,817 in 1904. Nothing could be done for this work during the war with Great Britain, although grants of lands were offered by private holders to the extent of 107,632 acres. On estimates that the Erie Canal could cost $4,571,813 and the Champlain Canal $871,000, an act was passed in 1817 authorizing their construction, and providing for a board which might borrow money, not over $400,000 in amount annually for this use. Under this law ground was broken July 4, 1817, at Rome, in the presence of De Witt Clinton as governor. His election to that place was due to the resignation of Tompkins to assume his duties as Vice-President of the United States. Both he and Rufus King aspired to the presidency in 1816, and the latter received the Federalist vote, 34, in the electoral college, while the former accepted the second place under James Monroe and was again chosen in 1820.

De Witt Clinton had large projects for the improvement and extension of the waterways in and beyond the State. He was urgent in pressing the construction of the Erie and Champlain canals. In the autumn of 1819 navigation was opened between Utica and Rome and on the Champlain, and the next year boats passed from Utica to the Seneca

River. Navigation from Lake Erie to the Hudson was achieved October 26, 1825. In the interval party strife was keen and vociferous over the alleged use of Federal patronage in the State and not less over personal rivalries. Clinton was denounced for approaching the "very verge of treason," and the storm arose to such height that he chose not to be a candidate for reëlection in 1822 and was removed by the Legislature from his place on the Canal Commission in 1824. On appeal to the ballot-box in that year he was again chosen governor. As a Clintonian, John W. Taylor was elected Speaker of the House of Representatives of the United States in 1820 and again in 1825, the only New Yorker who was ever chosen to that position except that Theodore M. Pomeroy had that honor for a single day at the close of the session in March, 1859.

The leader of the opposition to Governor Clinton was Martin Van Buren, with Tammany Hall at his back. United States Senator by election in 1821 and again in 1827, he accepted the portfolio of Secretary of State in 1829 in General Jackson's Cabinet, was elected Vice-President in that President's second term in 1832, and President in 1836, and enjoyed a long career as head of his party until he broke with the pro-slavery leaders.

The cost of the Erie Canal as adjusted was $7,143,789. Plans for enlargement were adopted in 1835, but scandals led to a stoppage of the work in 1842. In 1847 the enlargement was resumed and was completed in 1862, bringing the outlay on the canal up to $52,491,915. Governor Clinton advocated the construction of lateral canals, and ten were opened to navigation in the years from 1831 to 1850 at a cost of $27,554,422. The Crooked Lake, the Chemung, the Chenango, and the Genesee Valley were after trial abandoned as unprofitable. There remain canals with their feeders 638 miles in length: the Erie, 361 miles; the Champlain,

J. J. T. Strachan

JAMES S. T. STRANAHAN

Dock owner and capitalist; born in Peterboro, Madison County, N. Y., April 25, 1808; educated Casanovia Institute. Was engaged in shipping and warehouse business, being president and founder of the Atlantic Docks, president of the Brooklyn Bridge Co., and president of the Union Ferry Co. Was a member of the Board of Aldermen, a candidate for the State Assembly and mayoralty, and member of Congress as a Republican, 1855–1857. Was a charter member of the directorate of the Brooklyn National City Bank for forty-seven years; director of the South Brooklyn Savings Bank for forty eight years; director of the Home Life Insurance Co. and the Fidelity & Casualty Co.; vice-president of the Kings County Trust Co. Was a member of the New York Chamber of Commerce for fifty years; member of the Produce Exchange; and of many clubs and educational organizations in Brooklyn. Was a member of the first metropolitan police commission in 1858; president of the Park Commission, 1860–1880, having much to do with the development of Brooklyn's present system; president of the Citizens' Civil War Committee; delegate to the Republican national conventions of 1860 and 1864; elector at large from the State of New York, 1888. Died September 3, 1898.

81 miles; the Black River, 89 miles; the Oneida Lake, 7 miles; the Oswego, 77 miles; and the Cayuga and Seneca, 23 miles. Their maximum tonnage was reached in 1872 at 6,467,888 tons. All tolls were abolished by popular vote in 1882. The claim was made that the earnings of the canals had repaid all outlay for them and given to the State besides $42,000,000. If the natural channels which have been improved are added, the artificial waters of the State are found to be 907 miles. Aid from public funds was granted to the Delaware and Hudson Canal between Honesdale, Pa., and Newburg, N. Y.

Horatio Seymour in 1844, as chairman of the Committee on Canals in the Assembly, became the leading champion of the enlargement of the canal and later of the abolition of tolls, and the success of the policy was due largely to him. Speaker of the Assembly in 1845, defeated for governor in 1850, but elected in 1852 and once more in 1861, he won the confidence of his party and general admiration as a citizen. Nominated for President in 1868 against his protest, after his defeat he adorned private life by his graces and virtues and by the eloquence of his occasional addresses.

The constitutions of the State have been four. After the original draft of 1801, a complete revision was approved by the people in 1822 and another was perfected by the convention of 1846. This stood until the adoption of the present constitution in 1894. A multiplicity of amendments has been submitted for popular approval; many were rejected; many became parts of the fundamental law. A complete project submitted by a convention duly called was rejected at the polls in 1869 and only one of its provisions was adopted. The tendency has been on the whole to increase direct control by the people, and to place restrictions on expenditure and debt.

Not for the first time nor the last the politicians in this

commonwealth were charged with bad faith in the presidential canvass of 1824. The friends of William H. Crawford, Democrat, blamed Martin Van Buren with unfairly taking from him the electoral votes of New York, of which he received only five, while the supporters of Henry Clay, Whig, were aggrieved because only four electors were for him. Twenty-six were for John Quincy Adams, whose name was thus placed among the highest three candidates and he became eligible for the election to the presidency which was conferred on him by the House of Representatives. Chaos prevailed in politics, for divisions asserted themselves on questions of the canals, of Freemasonry, of the ambitions of De Witt Clinton, of the alleged intrigues in Washington of Martin Van Buren. Albany became a center of power, with Edwin Croswell of the *Argus* at the head of the Democratic "Regency," and the *Journal*, directed by Thurlow Weed, putting men up or down on the other side.

To the people living remote from the canals the burdens involved in their construction seemed heavy, while the impetus given to immigration, traffic, and industry spent its main force along the route of the chief waterway. In the same public spirit State aid was granted to the New York and Erie Railroad, by a loan of $3,000,000; of smaller sums to the Canajoharie and Catskill Railroad, which were never repaid; and of $500,000 to the Ithaca and Oswego, of which only $184,300 was returned. Loans were made to five other railroads to assist in construction and in due time repaid. Later a policy prevailed for towns and cities to subscribe for stock in railroad enterprises, some of which proved profitable, while others were a partial or total loss. The greater lines were always private corporations, and several are consolidations of parts originally local projects. The first charter granted for a railroad was between Albany and

Schenectady in 1826, but cars were not run until 1831; the road is now a link in the New York Central system.

New York cast its electoral vote in 1832 for General Jackson for a second term as President, under the management of Martin Van Buren, who was the candidate for Vice-President on the same ticket. The bankers of the chief city were adroitly arrayed by hostility to the competition there of a branch of the United States Bank, while the party was brought to a discipline rare in those days. Van Buren's nomination for President in 1836 was followed by a popular majority for him of nearly ten per cent. of the vote cast in the State and by his election as the first New Yorker to be made chief magistrate of the republic. His defeat in 1840 in a canvass for reëlection was quite as signal in his home State as in the nation. In 1848, the Democratic party became divided and Mr. Van Buren was nominated for President by the free-soil element, in revolt against the regular candidate, Lewis Cass. This action gave the electoral vote of New York to the Whigs with Zachary Taylor for President.

This period was marked by much activity in politics in the commonwealth. Enos D. Throop succeeded Van Buren as governor and was followed (1832–1838) by William L. Marcy, who had been chosen United States Senator in 1831, and became Secretary of War under Polk and Secretary of State under Pierce; he believed that the nomination for President in 1852 was within his reach but it was snatched away by a faction in his home State led by Daniel S. Dickinson. Marcy was defeated for reëlection as governor in 1838 by William H. Seward, who entered the State Senate in 1831 and had given proof of his ability and his skill in statecraft. For advocating the allotment of a share of the school funds to the Catholics, he was beaten at the polls for a third term as governor and William C. Bouck won the position.

Relations with Canada along the New York border have often involved peril, and for a while at the close of 1837 and during 1838 the acts of agitators on the American side threatened to involve the United States and Great Britain. In both the upper and lower provinces insurrection was organized against the Canadian authorities by William L. Mackenzie and Joseph J. Papineau, who called for allies in northern and western New York. These allies seized Navy Island in Canadian waters, and for communication with the American mainland had a steamboat called the *Caroline*. This was left on the night of December 29, 1837, with its crew asleep, moored at a landing on the New York bank, whence a squad from Canada under Colonel MacNab cut the vessel loose, having set it on fire, and let it drift down the rapids. All on board were killed, drowned or wounded. Our national government resented the invasion of American soil, and set competent army officers for the defense of the frontier. Talk of invasion of Canada was passionate south of the St. Lawrence, and trifling raids were risked. November 11, 1838, a party landed at Prescott; and two days later a collision occurred at Windmill Point, with a loss to the invaders of eighteen killed and wounded and to the Canadians of eighty-two. After four days the authorities arrayed so strong a force as to compel surrender of the invaders. They were held as prisoners and treated with scant mercy. Only four were Canadians; five were foreigners, while 170 were mostly from the northern counties of New York, not a few of them boys under seventeen. The leader and seven others were hanged, some were shipped to Van Diemen's Land, some imprisoned, some released, and a few acquitted.

The affair took a new phase in 1842 when on the arrest of Alexander McLeod in this State for taking part in the burning of the *Caroline* and the murder of its crew, the British government assumed the responsibility as an act of war,

and demanded his release. The government at Washington refused to give him up and insisted on his trial. He was found innocent and proved to have indulged in drunken swagger of his alleged share in the incident. For a long period popular feeling along the northern frontier was kept in a ferment over the treatment of the men captured at Windmill Point, the folly of the rebel leaders in Canada, and the attitude of the authorities of the Dominion.

Signs were not lacking that serious divisions were shattering parties and threatening national peril over the extension of slavery and the power of the champions of that institution. As early as 1834 in New York City, meetings in favor of the restriction or gradual abolition of slavery were broken up and citizens mobbed for advocating that cause. A mob drove an anti-slavery convention out of Utica in 1835. The position of extremists marked the cleavage at hand. Silas Wright, who was elected governor in 1844, opposed as a United States Senator (1833–1844) the annexation of Texas, and felt the hostility of the Polk administration and its friends as a candidate for a second term in 1846, when he was defeated by John Young. His influence was potent in creating and promoting free-soil sentiment among voters still clinging to the Democratic party; but the control of that organization in the nation and in this State was with those who held other views.

The Whig party here as elsewhere was disintegrating more rapidly than its antagonist. William H. Seward was the favorite of the young and ardent who claimed that slavery meant disunion. Even in private life his counsel was of the first account, and with Thurlow Weed and Horace Greeley his triumvirate was forceful and far-reaching. He stood in the front of the advocates for the restriction of slavery and early foresaw the "irrepressible conflict," although like others he did not appreciate its magnitude. In

State affairs he had favored public improvements and a liberal canal policy; his friends were zealous in developing street railroads in New York City under special charters with broad privileges; and some men close to him pleaded that such franchises might fairly be granted for partisan services. Personally one of the purest men, basing his arguments in the United States Senate (1849–1861) on the highest moral grounds, he was presented for the presidency in 1860 by a united delegation from his State to the Republican National Convention, but was set aside when Horace Greeley, a former ally, acted as a bitter foe. He gave his best aid for the election of his successful rival, Abraham Lincoln, and became a mainstay of his administration as Secretary of State.

The feudal tenure on which the patroons and other great landlords permitted tenants to cultivate their soil, and the onerous conditions which they exacted from purchasers, led to prolonged disagreements and to legislation with a view to remedy the evils. In 1836 the grievances were asserted in Chautauqua and Genesee counties against the Holland Land Company, by mobs and violence. In Rensselaer and Albany, on the great Van Rensselaer estate, resistance to legal processes to enforce the demands of the landlords in 1839 took the form of armed forces in disguise, who aroused terror in the vicinage. Governor Seward called out several military companies and compelled observance of the law. The sore was not healed. Columbia, Delaware, and Schoharie became the theater of agrarian outrages in which hundreds of men took part. They drove Governor Wright to call out the militia, by whose help many arrests were made. Over fifty-four culprits were convicted, but were in time pardoned by Governor Young. In the constitution of 1846, provisions were embodied to limit leases and prevent cruel conditions, and in 1852 the Court of Appeals so construed the

Jas A Burden

JAMES A. BURDEN

Iron manufacturer; born in Troy, N. Y., January 6, 1833; educated Sheffield Scientific School at Yale, and Rensselaer Polytechnic Institute, Troy, N. Y. Was president and director of the Burden Iron Co. of Troy, and director of the United National Bank, of Troy. Was Presidential elector on the Republican ticket in 1880 and 1888. Was member of the Iron and Steel Institute of Great Britain, Society of Civil Engineers, Society of Mechanical Engineers, and American Mining Engineers; member of New York Chamber of Commerce; president of the Engineers' Club of New York; president of the Society of New York Farmers; member of the Metropolitan, Union, Union League, and other clubs of New York. Died at 908 Fifth Avenue, September 23, 1906.

statutes as to remove the discontent. Once again, in 1866, armed force was called out to check violence on the part of tenants. The controversy soon disappeared from politics and from outrage, and was confined to private litigation.

After New York in 1844 cast its electoral votes for James K. Polk against Henry Clay by a plurality of 5106, with 15,812 ballots for James G. Birney of the Liberty party, division among the Democrats of the State grew broader and more bitter. The administration of President Polk was charged with ostracizing Governor Wright and his friends, while the latter, headed by Preston King in the House of Representatives and sustained by the New York Legislature, arrayed the members of Congress in both Houses, except Daniel S. Dickinson in the Senate and one Representative, against the annexation of Texas and for the Wilmot Proviso forbidding slavery in the territory acquired from Mexico. The Whigs took advantage of these conditions to elect as governor in 1848 Hamilton Fish, whose term closed with credit and who was succeeded by Washington Hunt elected in 1850,—the last governor of New York furnished by the Whig party before its death.

By the sort of compromise by which the Vice-President has often been nominated, Millard Fillmore was named in 1848 for that position by the Whigs on the ticket with General Taylor. He belonged to the conservative wing of the party, the "Silver-Grays," and was not a favorite with the free-soil element led by Mr. Seward. By the death of the President, the succession fell to Mr. Fillmore July 9, 1850. He sustained the compromise measures of that year, including the Fugitive Slave Law, and hastened to remove from Federal places those who had voted for him but did not favor that policy, and appointed those who did. When in 1852 he sought the nomination for President, he led all competitors in the National Convention on the first ballot by one

vote, but on the final ballot Winfield Scott was nominated for what proved the empty honor of the last Whig candidacy for chief magistrate of the republic. New York took its stand in the electoral college for Franklin Pierce.

Movements for the organization of the Republican party began in New York. A call was issued in Albany about July 1, 1854, for a State convention in Saratoga on August 16th. Delegates were chosen in the various counties by mass meetings, who denounced the Nebraska Bill and the aggressions of the slave power and adjourned to meet in Auburn, September 26th, when organization was perfected under the name "Republican" and a full State ticket was nominated with Myron H. Clark for governor, who had also been designated by a Whig convention. Prohibition of the liquor traffic was advocated in the platform. Mr. Clark was elected by a plurality of 305 over Horatio Seymour, while 122,282 votes were returned for Daniel Ullman, candidate of the American party. The Legislature enacted a rigid prohibitory law, which was declared unconstitutional by the Court of Appeals in March, 1856. The policy of license for the sale of liquors has since prevailed under statutes of varying stringency.

Millard Fillmore was in 1856 put in nomination for President by the American party; he received in this State 124,604 votes, in the Union 25 per cent. of the total cast, but in the electoral college only the eight ballots of Maryland. The New York return showed 276,057 for John C. Frémont, and 195,878 for James Buchanan, who by the vote of other States was placed in the presidency. John A. King was chosen governor, to be succeeded by Edwin D. Morgan for two terms (1858–1862). To him, therefore, the task fell of organizing the forces of the commonwealth for the war for the Union, and it was performed with loyalty and efficiency.

The citizens of New York in 1860 by a majority of 50,136 gave the potent voice of the commonwealth for Abraham

Lincoln for President. In the hope of averting collision, delegates were sent to the peace convention held in Washington February 4, 1861, while the Legislature had already (January 11), by a vote nearly unanimous, tendered to the national government whatever men and money it might need to maintain its authority. Other views found expression in memorials to Congress and in mass meetings. In Albany a resolution was passed that "civil war will not restore the Union, but will defeat forever its reconstruction." Yet the Legislature when the first gun was fired appropriated $3,000,000 for war purposes and gave the governor full powers to enlist men for two years and to equip regiments. The Secretary of the Treasury reported that of $260,000,000 first raised by loans to the nation, $210,000,000 came from this State.

The men opposed to the war won allies at the polls in 1862 from those who did not approve of the way in which it was conducted. They elected Horatio Seymour governor, who in the canvass proclaimed the duty of maintaining the Union by arms. The draft for men for military service ordered by the national government was met by protests at several points and by riots, arson, and bloodshed in the chief city on Monday, July 13, 1863. Colored people were abused, a colored asylum was burned, and several of the race were killed. Out of fifty marines called to enforce order, several were killed and others bruised. Governor Seymour declared the city in a state of insurrection, for business was stopped, the lives of citizens were put in peril, and fires which were set by the mob destroyed much property. Federal troops were called in, whom the rioters fought against. After four days the authorities gained control, but in that period at least a thousand persons were killed or wounded, and $2,000,000 worth of property was destroyed. Less serious riots occurred in Brooklyn, Troy, and Jamaica. By the

draft only 2557 conscripts were obtained in the State for the army, while in the same year nearly 50,000 volunteers went into the field. The Legislature and the counties and towns offered liberal bounties for recruits, and by the close of 1864 New York had to its credit an excess of 5301 above its quota.

Charges were made in high quarters that fraud and violence were to be used to control the presidential election in 1864. Raids from Canada were apprehended; the recent draft riots suggested the type of danger liable to befall New York City, and rumors of plots to burn Northern cities as acts in the war were circulated. The State officials did not favor Federal interference, but the President and Secretary of War deemed it necessary to send an army of 7000 men to keep the peace and safeguard the polls in the city. Order prevailed when the votes were cast and counted, and the ballots of soldiers in the field were for the first time included. New York electors were recorded for Mr. Lincoln for his second term. At the same time Reuben E. Fenton was chosen governor, and he was to be reëlected in 1866, and to be transferred in 1869 to the United States Senate. He was diligent and sagacious, a master of organization, and well versed in knowledge of men.

The War Department credited New York with 448,850 men for the war for the Union sent into the field for periods from three months to three years, and with 18,197 who paid commutation, or a total of 467,047. Bounties to recruits, paid by the State, counties, and towns, amounted to $86,629,228. Private gifts for the war were on a like scale of munificence.

In the presidential election of 1868 New York was not the controlling factor that it had often been before and was to be again. Horatio Seymour counseled his personal friends that the Democratic party could hope for success in the can-

Silas W. Webb.

SILAS D. WEBB

Came to New York to engage in business in 1857; went to China in 1865 and remained there for fifteen years engaged in the Oriental trade with America. He returned to the United States in 1880; was for many years vice-president and afterwards president of the China and Japan Trading Co. Mr. Webb has been for many years a member of the Chamber of Commerce and the Merchants' Association, in both of which he has served on important committees. He is a member of the Executive Committee of the American Asiatic Association and of the Downtown Association.

vass only with a candidate who could draw outside support; but the nomination was forced upon him only to verify his prediction. He carried his own State, but General Grant was elected. This new President summoned to be Secretary of State Hamilton Fish, who had been Governor of New York and United States Senator. From 1869 to 1877 at the head of the State Department, he commanded confidence and favor at home and abroad, and the treaty of Washington is a monument to him in the world's diplomacy. John T. Hoffman was chosen governor in 1868 and secured a second term in 1870. Corruption was exposed in the metropolis and the Legislature, and in 1871 two justices of the Supreme Court and a judge of the Superior Court of the chief city were impeached for official malfeasance. The last and one of the former were removed from the bench, and the third resigned to escape trial.

The canvass for President in 1872 was rendered spectacular by the choice of Horace Greeley, editor of the New York *Tribune*, as a candidate first by the new liberal party and then by the Democrats. He sought support by appealing to the sections to "clasp hands across the bloody chasm" of the war. New York at the polls pronounced in favor of the continuance of General Grant in the presidency and the majority of the States sustained that verdict. For governor John A. Dix was designated and elected. He had sat in the United States Senate (1845–49) and in December, 1860, was summoned by President Buchanan to take up the portfolio of Secretary of the Treasury. As such he gave the order to the commandant of a revenue cutter at New Orleans: "If any man attempts to haul down the American flag, shoot him on the spot." He was appointed Major-General of Volunteers in May, 1861. As governor he aimed at reform in political affairs and aggrieved some of the leaders; a veto of an act for local option relative to the liquor traffic

lost him friends. When renominated in 1874, he was not successful at the ballot-box.

The management of the canals, and a system of repairs on them by contract, developed waste and fraud. By a convention and by the Legislature, abuses were condemned and remedies demanded, and by new laws as well as through the courts, vigorous action was taken. Samuel J. Tilden waged bold war against corruption in the city of New York where it had become monstrous, and he enlisted heartily in the fight against the "canal ring." He had served in the Assembly and in two Constitutional conventions. Elected governor in 1874, he pressed the crusade with skill and energy, while he organized his party with tact and adroit force, such as it had not known since the days of Van Buren.

So, naturally, while Tammany Hall opposed him, the National Democratic Convention selected him in 1876 as candidate for President on the pleas of "national regeneration and reform." His State cast its electoral vote for him, but the commission appointed by Congress on the contested States awarded the presidency to his Republican antagonist, Rutherford B. Hayes. Mr. Tilden rejected the counsel of some of his friends to protest the decision in the courts, or by armed force as urged by the extremists. Mentioned for nomination again in 1880 and in 1884, he declined to enter the canvass.

Roscoe Conkling, who was prominent in both houses of Congress during his service there, was presented to the Republican National Convention of 1876 by a majority of the delegates from the State, and the first ballot showed 99 members in his favor.

With Mr. Hayes the second place was bestowed on William A. Wheeler of this State, eminent as State Senator, president of the Constitutional Convention of 1867, and as Representative in Congress. President Hayes selected his

Secretary of State from New York in the person of William M. Evarts, a leader at the bar but not a practical politician; rather a scholar and statesman. He was chairman of the New York delegation at the Republican National Convention of 1860, was counsel for President Johnson in the impeachment trial, and for Mr. Hayes before the Electoral Commission. He argued the American case in the Alabama Claims, and was Attorney-General under President Johnson. He served in the national Senate from 1885 to 1891.

Factional fights arose in the State over federal patronage immediately on the inauguration of President Hayes, who had not followed the advice of local leaders. The Republican State Convention rejected an amendment declaring his title perfect and approving his policy, while it adopted unfriendly resolutions.

Lucius Robinson was elected governor as a Democrat in 1876, but three years later Tammany delegates, resenting his nomination, organized a separate convention and nominated John Kelly, making easy the transfer of the executive chair to Alonzo B. Cornell, Republican, who had been Speaker of the Assembly in 1873, and who took an active part as trustee in the management of the University founded by his father.

The presidency was the occasion in 1880 of fresh strife and bitter dissension in New York. The Republican State Convention instructed the delegates from the districts as well as those at large to "use their most earnest and united efforts to secure the nomination" of General Grant for a third term. Several of them refused to obey these instructions and joined with the majority in the national body in naming James A. Garfield. The vice-presidency was conceded to Chester A. Arthur of New York. The appointment to the post of Collector of the Port of New York of William H. Robertson, the leader of the minority in the dele-

gation which aided to nominate President Garfield, led to the resignation from the Senate of Thomas C. Platt and Roscoe Conkling, and of Thomas L. James as Postmaster General. Excitement rose to fever heat, and the Senators struggled hard to be returned as a rebuke to the President. The Legislature, after six weeks of balloting, preferred to send Warner Miller and Elbridge G. Lapham.

By the murder of President Garfield by the assassin Guiteau, Vice-President Arthur was promoted to the chief magistracy September 20, 1881. He reconstructed the Cabinet and adopted a policy of his own, which did not win the full approval of either faction in his party. He took as his Secretary of the Treasury Charles J. Folger of New York, who had earned distinction in the State Senate and resigned as Chief Justice of the Court of Appeals to go to Washington. He became a candidate for governor in the canvass of 1882, and was regarded as the special representative of the national administration. Alleged frauds in the use of proxies in the State Committee controlled the organization of the convention and incited popular revolt. His defeat by the immense plurality of 192,854 was no imputation on his worth as a citizen or his integrity as a statesman, but was one of the thunder storms which at intervals clear the political atmosphere. It produced results in national affairs which the chief actors in the revolt did not seek.

The beneficiary was Grover Cleveland, who was nominated by the Democrats and received the support of the dissenting Republicans. He became the logical candidate of his party for President in 1884, although some of the delegates from the State in the National Convention did not favor him. In the canvass a diversion was attempted by the National Greenback party for Benjamin F. Butler, while the Prohibitionists were zealous and urgent. The official returns were needed to prove the decision in the State; they

Cornelius N. Bliss

CORNELIUS N. BLISS

Merchant; born in Fall River, Mass., January 26, 1833. Began drygoods business in a Boston house; later partner of commission firm of John S. and Eben Wright & Co. Head of branch house opened in New York, of Wright, Bliss & Fabyan, subsequently reorganized under name of Bliss, Fabyan & Co. Delegate to various state and national conventions. Chairman New York State Republican Convention, 1887. President of Protective Tariff League; treasurer National Republican Committee, 1892, 1896, 1900, and 1904. Secretary of Interior in President McKinley's Cabinet, 1897–1898. Director Fourth National Bank, Equitable Life Assurance Society, Home Insurance Co.; trustee Central Trust Co. and American Surety Co. President Union League Club in 1892, 1893, and 1894. Vice-president Chamber of Commerce, and president of New York Hospital. Died October 9, 1911.

finally gave a plurality of 1077 to 1149 for the electors favoring Mr. Cleveland, and the potent voice of New York bestowed upon him the presidency. In his behalf were arrayed the advocates of free trade, the citizens who believed radical reform was needed in national affairs, and the personal and factional enemies of the opposing candidate, James G. Blaine. Some of the local Democratic leaders resented Mr. Cleveland's independence, but he was nominated for a second term in 1888, by his own State and the National Convention, to find a plurality of 13,002 against him at the polls here, while in the electoral college the record was 168 for him and 233 for Benjamin Harrison of Indiana. The scales changed in 1892. Although the Democrats in State Convention instructed their delegates in favor of David B. Hill, the National Convention preferred Mr. Cleveland. New York pronounced in his favor by 45,513 plurality and restored him to the chief magistracy of the republic. After his retirement he made his home in his native State, New Jersey, but he owed his political elevation to this commonwealth, to which his two terms as President are due and of whose annals his fame is a part.

In the Republican party Chester A. Arthur sought the nomination in 1884, to succeed himself. He was not supported, however, by a majority of the New York delegates to the National Convention who aided in making Mr. Blaine the candidate. In 1885 David B. Hill was elected Governor, in continuance of service as Lieutenant-Governor following the transfer of Mr. Cleveland to Washington; he was chosen again in 1888, and was also made United States Senator in 1891. There he did not generally support Mr. Cleveland's policies. He was the head of a wing of his party, recognized as an adroit manager, a trained lawyer, and a powerful influence in politics. He was able to secure the delegation from his State for President

in 1892 and was suggested again in 1896, but was not to grasp the great prize. His last appeal to the people was in 1894, when in the face of a Republican tidal wave he led a forlorn hope for governor.

Once again, in 1888, the vice-presidency came to New York. Levi P. Morton gave strength to the ticket of Benjamin Harrison and to his administration. As Minister to France he had a creditable record. He was chosen governor over Senator Hill in 1894, rendering such excellent service that the Republican State Convention called for his promotion to the presidency in 1896, but the current for William McKinley carried all before it.

The governorship in 1891 went to Roswell P. Flower, who had been a merchant in Watertown and became a banker in New York engaged in large affairs. He combined an attractive address with ability in organization. His plurality was 47,937, and his services as chief magistrate led his friends to deem him of caliber fitted for the presidency.

With General Harrison in his second canvass was associated Whitelaw Reid. Editor of the New York *Tribune*, Minister to France where he strove for reciprocity, he served as special ambassador to Great Britain both at the jubilee of Queen Victoria and at the coronation of King Edward; he gave strength and wisdom to the commission which framed the treaty of peace with Spain; he graced the post of ambassador to Great Britain, while his name as a scholar and diplomat ranks with the highest; when in 1912 he died in London the expressions of grief in Great Britain were general and impressive. Public as well as private honors were paid to him in all parts of the kingdom, and his remains were sent to New York in a British battle ship.

His immediate predecessor as ambassador to Great Britain was Joseph H. Choate who had served as president of the Constitutional Convention of 1894. His prosecution of

the Tweed crimes called out his force and ability as a lawyer, conspicuous also in other celebrated cases. He has added new chapters to the history of American oratory, while as a humorist he has created a school of his own for banquets and popular assemblies. Appointed to the diplomatic service by President McKinley in 1899, he won the warmest praises in the country to which he was commissioned, while retaining the admiration of his native land.

With him was associated in the Constitutional Convention Elihu Root, one of the delegates at large. Designated as chairman of the Committee on the Judiciary, his talents and learning in the law made him a leader in important work to the advantage of the commonwealth. On President McKinley's invitation he took up the portfolio of Secretary of War, returning to his profession, only to be summoned by Mr. Roosevelt to the higher station of Secretary of State. He justified the choice by broad views and energetic services. By an official visit to the republics of South America he extended the influence of this country and set in motion enduring forces for peace and for the extension of the commerce of the United States. In 1909 he was elected to the national Senate and promptly took rank with the foremost members. In the exciting convention which renominated President Taft in 1912, Mr. Root was temporary chairman and held the gavel firmly over the excited heads of the supporters of the two rival candidates.

With reputation as Representative in Congress and for brave work against election frauds in Troy, Frank S. Black was elected governor in 1896 by a plurality of 213,052. In his message he recommended action to render the civil service rules practical, rebuked the scandals of waste in the management of the Capitol, the use of the $9,000,000 appropriation for the canals, discussed the excise laws, and suggested improvements in the conduct of prisons and charities. He

was friend of the libraries and of the university of the State. He labored successfully for the preservation of our forests, and the Adirondack park is in large measure due to him.

Theodore Roosevelt passed early to the center of the national stage. Trained in the New York State Assembly, on the United States Civil Service Commission and the Police Commission of New York, as Assistant Secretary of the Navy, with laurels fresh from the war with Cuba, he was chosen Governor in 1898. As executive of the State he denounced frauds on the canals, recommended changes in the methods of taxation, dealt with corporations and their franchises, with charities and education, with the labor laws, gave prominence to regulation of the civil service, and urged publicity as a cure for abuses in trusts. In 1900 he was nominated to be Vice-President. The weapon which murdered Mr. McKinley lifted him to the chief magistracy September 14, 1901. Mr. Roosevelt is the ninth Vice-President selected from New York, and the third to ascend to the executive chair by the death of his predecessor. He is the third New Yorker to be elected to the chief magistracy of the republic, one of the three having served two terms.

In 1900 Benjamin B. Odell, Jr., was elected governor by 111,000 majority, and came to the executive chair after two terms of influential service in the national House of Representatives. For reelection in 1902, he had a close fight with Bird S. Coler, Comptroller of the City of New York, and won by only 9752 votes. A goodly share of the credit for the barge canal belongs to him, for he advocated it with energy and tact. He devoted himself to radical changes in methods of taxation, especially the removal of burdens from land.

His successor as chief magistrate was Frank W. Higgins, elected in 1904 by a plurality of 81,607. When, in 1893, he

was elected to the Senate of the State, he was engaged in various extensive business enterprises, including groceries, which he ran on a coöperative basis. In his messages he recommended the repeal of the tax on the surplus of savings banks; he labored also to reduce the cost of gas, and to meet the abuses in life insurance he called for the investigation by the Legislature which resulted in the new laws of 1906.

New York furnished in 1904 the candidates of both the great parties for the presidency. The strength of his administration and the lusty prosperity of the country made Mr. Roosevelt invincible at the polls. His antagonist, Alton B. Parker, was well versed in politics, but his reputation was in largest measure derived from his ability as a lawyer and his learning and fairness on the bench of the highest courts of the State. He resigned the post of chief judge of the Court of Appeals to enter the canvass, and at its close returned to the practice of his profession, to be conceded a rank with the foremost in the metropolis. Mr. Roosevelt's plurality in the State was 175,552, and in the electoral college he received 336 votes to 140 for Mr. Parker.

Because of the scandals which broke out in the great life insurance companies, an investigation into their management was ordered by the Legislature, and Charles E. Hughes, a young attorney of New York City, was appointed counsel of the investigating committee. He conducted the examination with such earnestness and keenness as to earn the public confidence and admiration. As a result he was nominated by the Republicans for governor in 1906 and elected by a plurality of 57,897, and chosen in 1908 for a second term by 69,479. On his urgent recommendation, betting on race tracks was prohibited after a sharp contest. He urged, by official message and on the popular platform, provision for direct nominations for office under legal forms, but the Legislature failed to enact his measures. More success attended

his plans for commissions to oversee public utilities, and much benefit has been secured by them in the work of transportation, telegraphs, and telephones. President Taft appointed him a justice of the Supreme Court of the United States, and to accept that high station he resigned as governor in October, 1910; Horace White, the lieutenant-governor, by constitutional requirement filled the vacancy for the remainder of the year.

In 1908, on the nomination of William H. Taft for President, the Republican Convention turned to New York once more for a Vice-President. James S. Sherman had won rank in the House of Representatives as wise counselor and an adept parliamentarian. From 1886, when he became a member, he was reckoned among the most influential and most popular of the representatives. As president of the Senate he had the duty of settling ties on votes of vital significance, and compelled respect for his sagacity and courage.

The canvass of 1910 began with a spectacular strife for chairmanship of the Republican State Convention. The State Committee, according to custom, had named a chairman and proposed Vice-President Sherman for the position. Ex-President Roosevelt became a candidate and was supported with heat and persistence. The controversy developed some temper and Mr. Roosevelt was chosen and his partisans controlled the nominations. For governor Henry L. Stimson was presented. The Democrats drafted John A. Dix to head their ticket and he was successful at the polls by a plurality of 67,401. Mr. Stimson entered President Taft's Cabinet as Secretary of War in May, 1911. The election gave the Democrats control of the Legislature as well as of the executive departments. James A. O'Gorman was sent to the United States Senate. Mr. Dix in the canvass had called for honesty in the administration, and de-

Lyman J. Gage

LYMAN JUDSON GAGE

Ex-Secretary of the Treasury; born in De Ruyter, Madison County, N. Y., June 28, 1836; son Eli A. and Mary (Judson) Gage; removed to Rome, N. Y., 1848; educated Rome Academy; LL.D., Beloit, 1897; New York University, 1903. At age of seventeen entered Oneida Central Bank; served as office boy and junior clerk until 1855, when he went to Chicago; clerk in planing mill until 1858; bookkeeper, 1858-1861, and cashier, 1861-1868, Merchants' Loan & Trust Co.; became, in 1868, cashier, in 1882, vice-president, and in 1891, president, First National Bank of Chicago; Secretary of the Treasury in Cabinet of Presidents McKinley and Roosevelt, 1897-1902; president United States Trust Co., New York, 1902-1906; retired, 1906. Was first president board of directors Chicago Exposition; three times president American Bankers' Association; first president Chicago Bankers' Club; twice president Civic Federation of Chicago; trustee Carnegie Institution, Washington.

nounced extravagance, insisting that unnecessary taxation is confiscation. The Legislature sat for nearly seven months and then took a recess until September. For the first time in over five years a direct tax was levied, which was estimated to produce $8,000,000. Sharp controversy arose over direct nominations and betting on race tracks, a land tax was renewed and marked changes were made with reference to the National Guard. On other matters Governor Dix used the veto power with much freedom.

The Democratic State convention in 1912 passed resolutions highly commending the administration of Governor Dix, but nominated to take his place William Sulzer, who having served as a young man in the Assembly at Albany had won rank and experience by twenty years in Congress where he attained the chairmanship of the Committee on Foreign Affairs. Mr. Sulzer was elected Governor by a plurality of 205,454 over Job E. Hedges, republican, his chief competitor.

Into the presidential election a novel factor was injected, when Theodore Roosevelt became a candidate and asked for a third term. In the Republican National Convention bitter strife developed. Mr. Taft was nominated by the votes of 561 delegates, while Mr. Roosevelt received 107 and 344 were not recorded. The New York delegation was divided, 76 members supporting President Taft, with 8 for Roosevelt and 6 not voting. The dissentients followed Mr. Roosevelt in a diversion, and named him as the candidate for president of the Progressive party. The democrats, inspired by lively hopes, presented Woodrow Wilson for chief magistrate, and with less than a majority of the popular vote, he received in the electoral college, 435 votes; Roosevelt, 91; and Taft, 8. For Vice-President, without effort on his part, James S. Sherman was renominated, the first of his party to receive that distinction. The national

convention cast 597 votes for him, while 4 were scattering and 352 were not recorded.

In the State of New York the returns of the balloting gave Wilson 647,253; Taft, 452,745; Roosevelt, 382,709; Debs, 63,381 and Chafin, 19,427.

On October 30, at the climax of the campaign, Vice-President Sherman died at his home in Utica. His impaired health had forbidden him to take his usual leading part in party councils and to stir by his forceful addresses the large audiences which were wont to greet him. His physical forces were worn out in his public labors and his extensive business enterprises, and he passed away in the midst of his activities, in the very presence of the people. His funeral at Utica was attended by the President of the United States, Justices of the Supreme Court, many members of both Houses of Congress and notables from all parts of the country.

Among the many hundreds of men who have represented New York in the two houses of Congress and as heads of bureaus in the departments in Washington, not a few have been eminent for ability and success in their service. Frank Hiscock in both the House and Senate proved himself a shrewd and painstaking legislator. Chauncey M. Depew has a wide reputation as an orator and man of affairs, enhanced on the floor of the Senate. Francis E. Spinner, Treasurer of the United States during the war for the Union and afterwards, honored his State and the nation. Sereno E. Payne gave his name to the tariff of 1909, which he reported from the Committee on Ways and Means. Other names are numerous of men who in legislation and administration have helped to prove that this commonwealth does its full share of the work of the republic.

Governor Van Twiller in 1633 brought Adam Roelandsen from Holland to be the first schoolmaster in New Netherland.

This was the first seed of public education in this domain. The schools of New York within a generation drew pupils from as far away as Virginia and the Carolinas. An act, passed in 1722, for free schools was a promise which did not at once bear fruit. King's College, established in 1746, grew into the Columbia University. The Regents of the university date from 1784, and from them the public schools and higher institutions of learning have been fostered and developed. The first appropriation by the Legislature was granted in 1795 in the sum of $50,000. By 1910 the total cost of the schools of all grades in the State had risen to $76,695,317, while the pupils in them numbered 1,840,409, with 50,958 teachers. In that year 8837 students were graduated from the high schools; 1935 from the academies; and 2536 from the normal and training schools.

While New York has had its full share of political agitation, it has lacked no element of material, moral or intellectual development. Its industries have spread, and multiplied, its facilities for transportation of commodities, persons, and thought have taken on the latest devices of science and mechanism; all that the race has learned to make home attractive is applied here; the march of wealth has been gigantic; and the flower and fruitage of art, culture, charity, and religion have blessed the people, as museums, libraries, hospitals and churches demonstrate.

In the closing years of the nineteenth century and the first decade of the twentieth, enterprises of vast magnitude went forward. The railroads constructed immense terminals in the metropolis and added to station and freight facilities in the interior cities. Tunnels were pierced under the Hudson and East rivers. The underground railroads were extended, and in 1911 plans for further development to cost $275,000,000 were adopted. The barge canal, to float boats of 1000 tons from the Great Lakes to tidewater, was put

under contract for fourfifths of the route, and a third of the work was done by midsummer of 1911. The total cost is estimated at $101,000,000. Canals have for a century been a prominent factor in the politics as well as the business of the commonwealth, while the railroads have multiplied both their freight and passenger traffic. To satisfy the counties distant from the waterways, $50,000,000 was voted to improve the country roads: these extend over 50,000 miles, of which 2850 are macadam while 13,000 have under the new policy been laid in stone. In 1912 the expenditure of $50,000,000 additional was authorized. Public parks have been liberally set apart by State laws aided by private munificence. Recent additions are on a broad scale. The conservation of natural resources has received popular and legislative attention. Forethought has been devoted not only to present demands, but to the needs and well-being of increasing millions of population.

Not until the census of 1820 did New York take the first rank in the Union in population and have the right to the title of the Empire State. During the two decades preceding, it gained 783,721 inhabitants, which was a greater number than dwelt at the close of the period in any other State save Pennsylvania and Virginia. In the next two decades New York added 1,030,109—more than the total of people in 1840 in any other State except Ohio, Pennsylvania, and Virginia. By 1910 this commonwealth had 9,113,614 inhabitants. In the twenty years from 1890 to 1910 the population increased by 3,110,490 and this number was exceeded by the census of but four States,—Missouri, Massachusetts, Ohio, and Pennsylvania. The rate of increase in New York in the first decade of the twentieth century was 25.4 per cent., while in the next preceding decennial period it was 21.1 per cent. This gain was greater than anywhere else east of the Mississippi, except in Florida, New Jersey, and West Virginia.

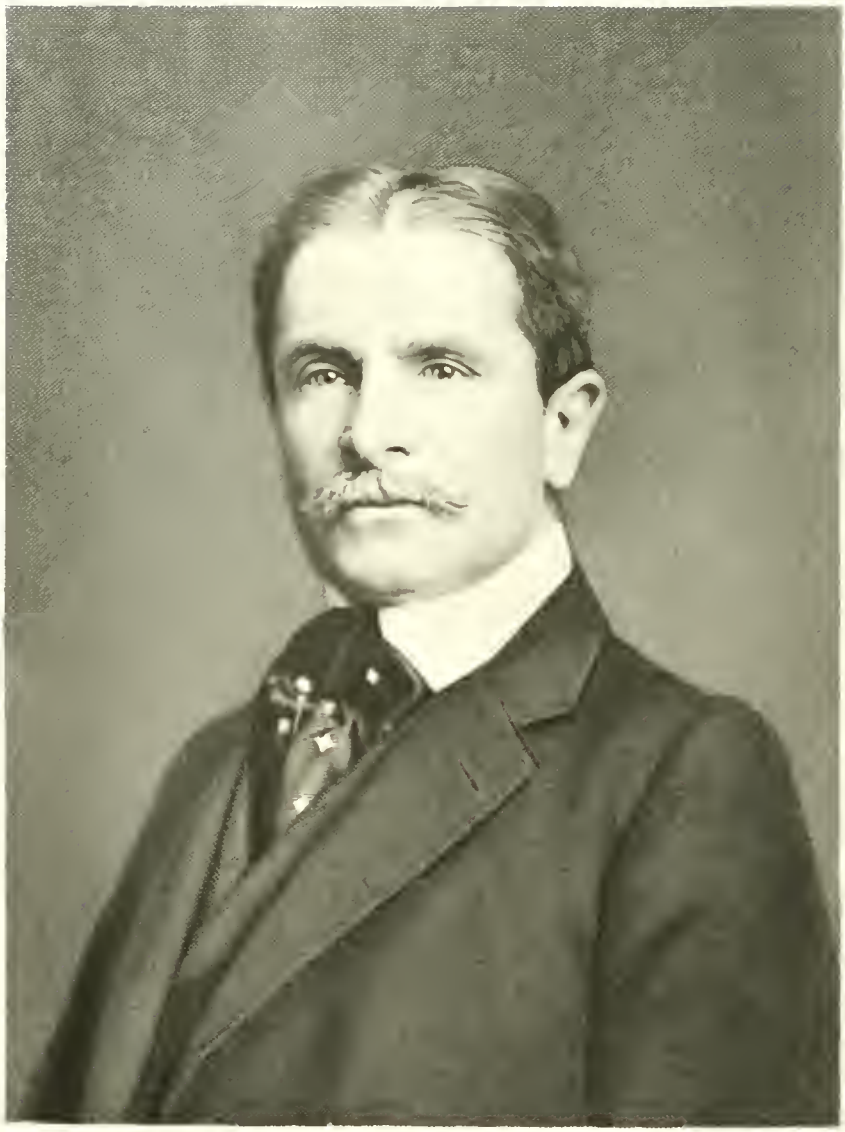
Since 1790 up to the thirteenth census New York State multiplied its population twenty-seven times and New York City ninety-six times, while the increase in the continental United States during the same period was twenty-three times.

For 1909 the assessed valuation in real estate was $9,266,628,484 and in personal property $555,623,070, upon which in 1910 the State tax collected was $345,476 and the county, town, and school tax $147,817,461. Cities made their own levies in addition. The liquor tax produced $18,102,822 and the corporation tax $9,123,738. The expenditures from the general fund were $34,791,576 and from the canal fund $16,443,100. The canal debt is $41,230,660 and that for highway improvement $16,000,000. The tons moved on the canals in 1910 were 3,073,412.

In manufactures, New York stands at the head, and its growth continues to be rapid in its many branches. In 1900 the value of products was $2,175,726,900, having more than doubled in twenty years and being more than 16 per cent of the production of the entire Union. The capital here employed in manufactures was multiplied more than threefold in the same period—to $1,651,210,220, or 17 per cent of that for the whole country, while the wages paid amounted to $408,855,652, or nearly 18 per cent of those of the nation.

Such development the commonwealth has achieved in less than three centuries. In the first, it scattered seeds of settlement by the sea and beside the rivers, with much trial and many hardships. With the growth of youthful fiber, the second brought sterner conflicts, not free from fire and bloodshed. Its third century was two decades old before the State showed its rounded form and stalwart sturdiness. Although proud to be a member of the American Union, it is worthy in itself alone to be compared with the great

powers of the earth—not with provinces or principalities or dependencies. In Europe only seven nations, and in the western hemisphere only Brazil and Mexico, have more or even so many inhabitants as New York, and its rate of increase exceeds that of any one of them.



Perry Belmont

PERRY BELMONT

Born New York City, December 28, 1851; eldest son of late August Belmont, financier; graduate of Harvard University, A.B. (special honors in history and political economy), 1872; took course in civil law, University of Berlin, then at Columbia Law School; LL.D. 1876. Admitted to bar, 1876; practised law until 1881; elected to Congress as a Democrat from 1st New York District, four consecutive terms, 1881–89; chairman Committee on Foreign Affairs, 1885–88; United States Minister to Spain, 1888–89; Inspector-General with rank of Major, First Division, Second Army Corps, U. S. V., 1898. Director of several corporations; member Chamber of Commerce, and member Metropolitan, Knickerbocker, University, Union, and Manhattan Clubs of New York; Metropolitan, Army and Navy, and other clubs, Washington, D. C.

CHAPTER II

THE INFLUENCE OF NEW YORK IN NATIONAL AFFAIRS

BY PERRY BELMONT

FORMING the strategic center of the patriotic lines in the War of the Revolution, the State of New York early took a position of leadership in the Federal Union which has rarely been relinquished during a century and a quarter of national life. The history of all the States justifies the claim that each, according to its geographical position and the relative importance of its population, has had its individual influence upon national affairs; but from the moment political parties assumed definite form, New York became a pivotal State in presidential elections.

There have been only four elections for the presidency in which the vote of New York has not been cast on the winning side. On two of these occasions its vote was given to New Yorkers—to De Witt Clinton in 1812 and to Horatio Seymour in 1868. In 1876 the vote of the State was not cast for Mr. Hayes, the successful candidate, but it remains true that its electoral vote was given to the candidate, a New Yorker, who received the largest popular vote and who carried the doubtful Northern States.

Almost in every instance, excepting when the country, by an overwhelming majority, went one way, as it did in 1912, the electoral vote of New York may be said to have decided presidential elections. In the first contest following

the retirement of Washington, John Adams, with one vote to spare, would have been defeated without the twelve votes of New York. In 1801, the twelve votes of the State were cast the other way, for Jefferson and Burr, and turned the scale by a vote of seventy-three to sixty-five against Adams. Then came the long period of Democratic ascendancy, during which the country voted so overwhelmingly for Jefferson, Madison, and Monroe that New York only swelled the majority, excepting on the occasion, already mentioned, when the electoral vote of the State was cast for De Witt Clinton.

Later, in 1836, when there were again two well-organized political parties, the vote of New York contributed to make up the 170 which elected Van Buren, against an opposition vote of 148. At the next election New York joined the Whig reaction which followed the panic of 1837 and brought about the election of Harrison; but in 1844 the State returned to the Democratic column and gave Polk the votes needed to win. Again in 1848, when Taylor was elected, New York cast its thirty-six votes for the successful Whig candidate and gave him a plurality of exactly thirty-six over the Democratic candidate—partly, no doubt, as the result of the nomination of Fillmore of New York for Vice-President on the Whig ticket. The return to Democracy, however, was so sweeping the next election that New York's vote was not needed, although it joined in the great majority given to Franklin Pierce.

Then occurred, in 1856, the vote which, in view of the State's position as a reflex of the public opinion of the country, was perhaps the most significant ever cast by New York. It might have been accepted by the upholders of the slave power as the handwriting on the wall, decreeing its final downfall. New York gave its vote to John C. Fremont and on the losing side for the only time when one

of its sons was not a candidate. It was the prophecy of what was to take place among the voters of the North in 1860. In that year the votes of New York were given to Abraham Lincoln. Without them he would have fallen seven votes short of a majority. New York voted with most of the other Northern States for Lincoln in 1864, but in 1868 gave its electoral votes to Horatio Seymour, its popular governor and Democratic leader. In 1872 the revolt against Greeley gave the vote of New York to Grant, but in 1876 the State returned to her Democratic allegiance with a large popular plurality for Governor Tilden. In 1880 the sentiment which elected Garfield carried the electoral votes of New York into the Republican column. Without them Garfield would have lacked six votes of election.

In 1884 another Democratic governor, Grover Cleveland, received the thirty-six votes of New York and with them secured a majority of eighteen in the electoral college. In 1888 the return to Republican policies gave the vote of New York to Harrison, who would have been beaten by seven votes if it had been cast on the other side. In 1892, New York swelled the popular majority for Mr. Cleveland, although its vote was not strictly necessary to have given him a majority. Again, in the three succeeding elections, the Republican majority was so overwhelming that, while New York was on the dominant side, its vote was not needed in a mathematical sense to make a majority. But the great influence of the State extended to the neighboring States of New Jersey and Connecticut and into all parts of the Union affected by its vast interests.

As a result of its numerical importance in the electoral college and its political importance in a general sense, New York, after the termination of the Virginia regency, became the State to which both political parties constantly turned for the selection of candidates on the presidential and vice-

presidential tickets. Even before the dominance of Virginia had come to an end, Aaron Burr of New York had been named by the Democrats as Vice-President with Jefferson. When his treasonable conspiracy brought his political career to an end, George Clinton, of New York, became the Democratic Vice-President for two terms, and after an interval of a single term was succeeded by another New Yorker, Daniel D. Tompkins, who also served for eight years. Martin Van Buren, of New York, was Vice-President from 1833 to 1837. William A. Wheeler, of New York, was Vice-President from 1877 to 1881, and Levi P. Morton from 1889 to 1893. Of the 120 years under the Federal Constitution, men of New York have held either the presidency or the vice-presidency for terms aggregating sixty-four years. While only four of these terms have come to men from New York actually nominated for President—Cleveland having served two terms and Van Buren and Roosevelt one each—three other almost complete terms have come to New Yorkers by the death of the President: to Fillmore, from 1849 to 1853; Arthur, from 1881 to 1885; and Roosevelt, from 1901 to 1905. This record, however, of Presidents and Vice-Presidents actually elected does not include the defeated presidential and vice-presidential candidates who have been citizens of the State. Horatio Seymour was the Democratic candidate in 1868; Horace Greeley and Charles O'Conor the two Democratic candidates in 1872; Grover Cleveland was the Democratic candidate in 1888, the year of his defeat; Reid was the Republican candidate for Vice-President in the campaign of 1892, when Cleveland and Stevenson were elected; and Judge Alton B. Parker was the Democratic candidate for President in 1904.

The holding of important places in the Federal Government by New Yorkers is but the superficial evidence of the State's share in national affairs, the inevitable result of the

W. C. Whitney

WILLIAM COLLINS WHITNEY

Publicist and financier; born in Conway, Mass., July 15, 1841. His father, James S. Whitney, was at one time Collector of the Port of Boston and in 1860 a delegate to the Charleston Convention. William C. Whitney was graduated at Yale in 1863 and Harvard Law School 1865; continued the study of law in New York City. Took active part in politics as a Democrat and was a supporter of Mr. Tilden in his movement against the Tweed ring. Was appointed Corporation Counsel of New York City in 1875, 1876, and 1880. Was made Secretary of the Navy by President Cleveland on March 5, 1885, and laid the foundations of the modern American navy. Entered actively upon large financial enterprises after retiring from public life, having much to do with the consolidation of the traction system in New York and being a director in the Morton Trust Co. and other banks and companies. Was largely instrumental in securing the nomination of Mr. Cleveland for President in 1892, but declined further public office. Died February 2, 1904.

imperial greatness and resources of the State itself, and of the fact that its metropolis is at the gateway of commerce and is the center of exchanges.

The great names in the public affairs of the country have been associated with the Department of State. Under the Confederation, John Jay, of New York, was Secretary of Foreign Affairs and, at the request of Washington, continued at the head of the Department of State until Jefferson arrived in New York; during the Virginia regency, Jefferson, John Marshall, Madison, and Monroe; in the middle period of the nineteenth century, John Quincy Adams, Henry Clay, Daniel Webster, John C. Calhoun, William L. Marcy, James Buchanan, Edward Everett, and Lewis Cass; in the later period, Seward, Fish, and Evarts, all three of New York.

During several of the most critical periods of the nation's history, its foreign policy was directed by men of New York, through the Department of State: by Van Buren for two important years ending in 1831; William L. Marcy was Secretary of State during the whole of the administration of Pierce, from 1853 to 1857; William H. Seward during the Civil War and Reconstruction, from 1861 to 1869; Hamilton Fish for nearly two terms of President Grant, and William M. Evarts succeeded him under the administration of President Hayes. There was then a gap of twenty-four years in the supremacy of New York in the Department of State, during which, however, its representatives sat in the presidential and vice-presidential chair; but upon the death of Secretary Hay in the summer of 1905, Elihu Root, of New York, succeeded him in the Department of State.

Without reference to the more recent instances, men of NewYork have been given other important Cabinet positions in recognition of the State's influence in national affairs. The most important creative force in the Treasury Depart-

ment was Alexander Hamilton, who first held the office of Secretary of the Treasury. Other men of New York who occupied that position were John C. Spencer (1843–44); John A. Dix, for a brief time in 1861; Charles J. Folger, under President Arthur; Daniel Manning and Charles S. Fairchild, under Cleveland's administration, from 1885 to 1889.

John Armstrong (1813–18), Peter B. Porter (1828–29), John C. Spencer (1841–43), William L. Marcy (1845–49), Daniel S. Lamont (1894–97), and more recently Elihu Root and Henry L. Stimson have been Secretaries of War.

The New Yorkers who have been Secretaries of the Navy are Smith Thompson, James K. Paulding, William C. Whitney, and Benjamin F. Tracy.

Francis Granger, Thomas L. James, Nathan K. Hall, Wilson S. Bissell, and George B. Cortelyou, have been Postmasters-General.

Benjamin F. Butler, Edwards Pierrepont, William M. Evarts, and George Wickersham, have held the position of Attorney-General. Cornelius N. Bliss and Oscar Straus are other New Yorkers who have held Cabinet places.

New York is described as the financial and commercial center of the country, and the great States of the Middle West, Ohio, Illinois, and Indiana, are regarded as constituting its political center. But New York's tendency to conservatism is not to be regarded as mere commercialism. While Alexander Hamilton remains the personification of New York's constructive conservatism in finance, its adherence to American political ideals finds expression in the popular majorities so often given in support of the party of Jefferson, ever broadening the basis of suffrage. New York's ideals have often prevailed over financial or commercial interests. If viewed without regard to party considerations, perhaps the most significant and conclusive vindication against the

charge of being controlled by such interests, in its relation to national affairs, was the attitude of the State at the time of the Civil War. Far-reaching as were the interests of New York in the Southern States, great as was its sympathy with the people of those States during the heart-rending tragedies of civil war, no State poured out blood and treasure more freely in the defense of the Union.

The first steps to strengthen the credit of the government were taken by men representing the financial interests of New York. Had their advice been followed, specie payments might never have been suspended, public credit would have remained comparatively unimpaired, and the long period of stagnation and depression, beginning with the panic of 1873, would have been mitigated, if not entirely avoided.

Unerring devotion to sound financial policies has been the distinguishing trait of the majority of the people of New York. This was to be expected of a State which approved and upheld the constructive work of Hamilton and supported Marcy and Seward in their policy and measures for the extension of national commerce. Men of all political parties in New York, having the advantage of being at the center of exchanges, and therefore enabled more easily than those farther removed from it to appreciate any dangers that might threaten the national credit, have at times overruled those less informed and more impatient in seeking remedies for recognized evils. On those occasions of which the firm and, at times, unpopular adherence of President Cleveland to the gold standard is a conspicuous instance, the voice of New York has expressed the maturer judgment of the American people.

In the two great political parties the leaders from New York are often a controlling force in questions other than those affecting national finances or commerce. Though the

city of New York is the financial and commercial center of the country, and while the States of the Middle West may be considered its field of greatest political activity in a national sense, and the Southern States remain the great nursery of national statesmen, the seat of the Federal Government is at the national capital, Washington. There the vast organism of all the departments of the government is centered. There is concentrated the executive power, which is constantly expanding with the growth and development of the country, and the inevitable and continual extension of the authority of all branches of the Federal Government has had the effect of centering in the national capital the political interests of the country. The ever-improving facilities of intercommunication between Washington and the metropolis have brought about the closer relations of neighborhood and increased the political influence of one upon the other. New and greater opportunities for influencing national affairs have brought about corresponding responsibilities to the City and the State of New York. It may be confidently expected that the traditional patriotism of the people of New York will require them to view questions of national policy from the standpoint of national rather than of local interests, and that the closer association with the national capital will result in promoting the welfare of our country.

Charles A. Conant

CHARLES ARTHUR CONANT

Financial specialist; born Winchester, Mass., July 2, 1861; graduated Winchester (Mass.) High School, 1879. Was engaged in newspaper work for about twenty years, beginning at Boston, 1880. Associated with Executive Committee of Indianapolis Monetary Convention, 1897, and suggested several provisions of the Gold Standard Law of March 14, 1900. Appointed by Secretary Root Special Commissioner to the Philippine Islands in summer of 1901, for the purpose of investigating coinage and banking conditions there, his report being the basis for the Coinage Act of 1903, from which the new coins became popularly known as "Conants." Visited Mexico in 1903, on invitation of Mexican Government to confer with a commission regarding reform of Mexican currency. Appointed 1906 on special commission of the New York Chamber of Commerce on Reform of the Currency, whose report was adopted by the Chamber, November 1, 1906, and was among the first formal indorsements in America of a central bank of issue Was in 1910 and 1912 delegate of United States to International Conference at The Hague on Bills of Exchange. Author of *A History of Modern Banks of Issue*. and *The Principles of Money and Banking*. Director National Bank of Nicaragua, Manila Railway, and Credit Clearing House of New York; member Chamber of Commerce of State of New York, American Asiatic Association, Société d'Économie de France.

CHAPTER III

THE FINANCIAL DEVELOPMENT OF NEW YORK

BY CHARLES A. CONANT

THE history of New York is in a large sense an epitome of the history of the country. This is preëminently true in the field of finance. In certain manufactures, in agriculture, and in some other fields, the primacy of the Empire State may be contested by sister States, but as the center of financial operations there is none in America to dispute the supremacy of the State of New York and her chief city.

This supremacy, however, was not undisputed in the early days of the Republic. On the contrary, Philadelphia was an important center, partly because it was the seat of the Continental Congress and the Federal Government, partly from the existence there of large fortunes and enterprising financiers. Robert Morris, who was the financial bulwark of the Revolution, was a Philadelphian and carried on important enterprises in Philadelphia after the peace. The first incorporated bank under the Confederation, the Bank of North America, was founded in Philadelphia in 1781. It seemed natural that the Bank of the United States—both under the first charter and under the later one, which Jackson overthrew—should have its head office at Philadelphia. The name of Nicholas Biddle, the president of the bank, ranked in his time with that of the modern captain of finance. Stephen Girard—closing up a slow

account with the Barings by taking their stock in the United States Bank and then buying out the assets of the institution in full and making it the basis of a new and stronger bank—was a prototype of the powerful financier of to-day, who infuses new capital into a decadent enterprise and makes it again a power in the world of business.

Evidence of the predominance of Philadelphia, even in the field of speculation, is afforded by the promptness with which news from abroad was transmitted to the Quaker City as soon as it reached New York. Thus, Gouge relates how on April 9, 1825, seven expresses arrived at Philadelphia with news of a great rise of prices in the markets of Liverpool and London. "The effect was electric. Twenty-seven cents were offered for Upland cotton, and refused, though the holders would, a week before, have been happy to obtain 20 cents."[1] New York, however, bore her full part in the bank mania, which broke out at about the same time. According to the author just quoted:

"The infatuation, if we may be permitted to call it by so mild a name, was most violent in New York. The speculators of that city, not content with such privileges as their own Legislature could bestow, prevailed, by means of bonuses, on the Legislature of New Jersey to establish a string of small moneyed corporations along the shore of the North River; and, in defiance of the statutes of Pennsylvania, took possession of coal lands within her limits, under the color of charters granted by another State. Their own Legislature they besieged in every possible form. During the session which commenced in January, 1825, application was made for charters for new Banking, Insurance, and other companies, with nominal capitals of the amount of fifty-two million dollars.

"Money was never more abundant, if a judgment could

[1] Gouge, *Paper Money and Banking*, p. 180.

be formed from subscriptions to the stock of such companies as succeeded in their applications for charters. Three million dollars were subscribed in one day, in January, to the stock of the New Jersey Lombard and Protection Company, though its capital, as fixed by law, was only three hundred thousand dollars. Nine million dollars were subscribed in April to the New York Water Works Company, and by some contrivance its script was raised in the market to thirty per cent. above par. Thirteen millions were subscribed in May to the stock of the Delaware and Raritan Canal Company. Between the 5th and the 16th of February, the stock of the New York Gas Company advanced 28 per cent., and was sold at 178."

It was just about this time (1825) that the coming preeminence of New York began to be recognized. Fulton had made an important contribution to the future of his city by the application of steam to water transportation on the Hudson in 1807. It was the harbinger of tendencies in transportation which were to give commercial supremacy to a seaboard city with a well-protected harbor and a deep-water channel. At the moment, however, it was another event relating to water transportation which seemed to turn the scale in favor of the future metropolis. This was the opening of the Erie Canal in 1825. The commerce of the lakes was thus brought to New York, which became the natural center of the export trade in the growing products of the West. Then, when the railway era began, after 1830, the chief lines centered in New York. It needed only the quarrel between Jackson and the Bank of the United States, the removal of the public deposits from the bank and the lapse of its charter, to take away the crown of financial leadership from Philadelphia and fasten it firmly upon the brow of the chief city of the Empire State.

To deal intelligently with all the elements of the financial

development of New York within the limited space of a single chapter is a task of difficulty. From a narrative point of view it might be approached in three ways—chronologically, topically, or from the side of personal leadership. Chronologically, the evolution of New York finance would represent a long procession of great transactions, some interwoven with the political progress of the nation and nearly all the others with its economic progress. But such a narrative, if complete, would almost overwhelm the reader with its mass of details, some of which, important in their day, have been overshadowed by greater events in later times.

From the topical point of view it would perhaps be possible to single out those events which have been most conspicuous and which have borne most directly on the development of the New York money market as it is to-day—typical cases of stock market speculation; the development of railway finance, with its $16,000,000,000 of capital; the evolution of the traction system of the country, which now absorbs more than $3,000,000,000 of capital; or the relations of the New York market with the Government—both in periods of national stress when Wall Street came to the rescue of the country, and in periods of monetary stress when the Government reciprocated by coming to the aid of Wall Street with its surplus funds.

From the standpoint of great personalities might be woven perhaps a story more romantic than the measured narrative of economic tendencies. The figures of Jacob Little, John Jacob Astor, Daniel Drew, Jay Gould, Commodore Vanderbilt, and Jay Cooke have become the centers of legends as romantic in the field of finance as those of the great figures of chivalry in the storied days of knighthood. In dealing with these great names, moreover, as well as with the more modern group, like Villard, Morgan, Ryan, Still-

man, Baker, Schiff, and Harriman, it would be necessary to recognize wide differences not in personal character only, but in the character of the work performed—in some cases the constructive work of building up the railway and industrial structure of the country, in others the application of profound insight and great ability to the more delicate fluctuations of values on the Stock Exchange.

In dealing with a series of problems so vast, the topical method will be that chiefly pursued in this chapter, but the narrative will be illustrated by reference to those prominent personalities whose names cannot well be severed from the achievements of which they were a part. It will be necessary, however, while taking a general survey of many fields, to limit the scope of this chapter as far as possible to what may be called the history of constructive finance. Special chapters in this work are devoted to the fluctuations of values and great events on the Stock Exchange; the evolution of banking in New York as a distinctive profession; the details of the industrial combinations whose finances are now chiefly centered in New York; and to many other subjects which in some of their aspects fall within the field of finance.

As already indicated, the financial supremacy of New York dates essentially from the opening of the Erie Canal in 1825 and railway construction on a serious scale. The Mohawk & Hudson River Railroad was completed in 1831 and was the first railway security listed on the New York Stock Exchange. By 1840 the aggregate railway equipment of the country had reached 3049.79 miles. It has been largely in railway securities that the chief storms have raged in the New York stock market, down to a very recent date. The panic of 1837, following the removal of the public deposits from the United States Bank, found New York still subordinate in some degree to Philadelphia, or at least not yet

paramount. The crash of that year was due largely to speculation in Western lands and the sudden check to such inflation by the policy of President Jackson. In these particulars the crisis did not directly concern New York. The financial stringency in England, however, naturally reacted upon the New York market and the banks of the city were compelled to suspend specie payments on May 10th.

The New York money market suffered, in common with that of Philadelphia, from the efforts of President Biddle of the United States Bank to corner cotton. Biddle drew bills on England against cotton for £3,000,000 and expected to get the benefit of the difference between the rates at which he loaned money in the United States—five and six per cent.—and the English rate of two per cent. But the United States Bank no longer controlled the supply of commercial credit, as when it had a Federal charter, and the fabulous profits which Biddle appeared to have within his grasp stimulated the creation of local banks all through the cotton belt, which made advances to the planters and undertook to sell cotton on their own account in Europe. The rise of the discount rate at the Bank of England cut off these profits and compelled the Bank of the United States to go to the rescue of the smaller banks in order to maintain the price of cotton. The task was too great, even for Biddle's resources. Reserve stocks of cotton came upon the market, stocks in the hands of manufacturers were allowed to run down, mills reduced their output, the house of Hottinguer of Paris protested Biddle's paper, the Hopes of Amsterdam broke off relations with him, and the price of cotton collapsed.

All these incidents, while they affected keenly the market for foreign exchange which had been developed in New York, still bore the impress of Philadelphia speculation; but the

Angus McDonald

AUGUST BELMONT

Financier; born in Alzey, Hesse-Darmstadt, in 1816; was educated in Frankfort and spent several years in the employ of the Rothschilds there and in Naples. Came to New York in 1837 as the Rothschild agent. Was Austria Consul-General to New York from 1844 to 1850, but resigned because of dissatisfaction at the treatment accorded by Austria to Hungary. Was United States Chargé d'Affaires at The Hague in 1853 and became Minister in 1854. Resigning in 1858, he returned to the United States and engaged in banking. He took an active interest in public affairs, was a delegate to the Democratic National Convention of 1860, and from that year until 1872 chairman of the Democratic National Committee. He married a daughter of Commodore Matthew C. Perry, for whom his eldest son Perry was named. He was instrumental in erecting a bronze statue of Commodore Perry at Newport, and was an active patron of the arts and of American sports, being for twenty years president of the American Jockey Club. Died in New York City, November 24, 1889.

collapse of the United States Bank, after several vain efforts to restore its credit, practically decided the transfer of financial supremacy to the chief city of the Empire State.

The crisis of 1857 found New York occupying this position of supremacy without dispute. The two most conspicuous features in this crisis were the outpour of gold from the Californian and Australian mines, which seemed for the moment to afford the prospect of perpetually expanding prices, and the frenzy for railway construction. The railway mileage built in the United States in 1856 was 3642 miles and construction for the nine years ending with 1857 amounted to 21,000 miles. Although these figures seem small in comparison with the 240,000 miles of the present day, they represented an enormous investment for that period. In England only about 8000 miles had been constructed up to 1857, at an expense of $750,000,000. In the United States the new construction of nine years absorbed a lesser average amount per mile, because of lighter construction and lower cost of roadbeds, but demanded a total of $700,000,000 in new capital.

Private wealth was already attaining proportions quite as alarming, no doubt, to the croakers of that time as the somewhat larger accumulations of more recent times. A list published by the *Sun* in 1845, of property owners whose resources were valued at $100,000 or more, contained several hundred names, many of which foreshadow the leading families of to-day. John Jacob Astor led the list with a fortune put at $25,000,000 to $50,000,000, an estimate probably much too high for that time. William B. Astor was credited with $5,000,000; the Stephen Van Rensselaer estate, $10,000,000; Stephen Whitney, $10,000,000; James Lenox, $3,000,000; Peter B. Stuyvesant, $2,500,000; Mrs. Jacob Lorillard, $1,500,000; Gouverneur Morris, $1,500,000; and others who were allotted $1,000,000 each were: Henry

Brevoort, Jr.; William B. Cosby, Maltby Gelston, Harper and Brothers, Jonathan Hunt, Peter Lorillard, Jr., and Anson G. Phelps. Commodore Vanderbilt was at that time credited with only $250,000, but within a short time was to prove his ability to win much more.

So rapid was the development in every branch of American financial progress that, in the language of Professor Von Holst, "It was more and more lost sight of, that even in the age of steam, time must remain an essential factor in every process of development." Immigration lent its aid to the natural growth of population and the expansion of trade, and the American people, under these combined influences, to quote again from Von Holst, "worked themselves deeper and deeper into the delusion that the fancy could scarcely keep pace with the reality, and were thus led to mold the reality in their minds in accordance with what imagination pictured to them."[1]

The blow which started the collapse of the house of cards built up by excessive speculation was the failure of the Ohio Life Insurance & Trust Company on August 24, 1857, with liabilities reported at $7,000,000. This big banking and investment institution did a large business in New York as well as Cincinnati. A panic followed on the New York Stock Exchange, stocks fell acutely in market value, and desperate appeals were made to the banks for aid. The latter, however, with specie depleted to less than 10 per cent. of loans, had already reached the limit of expansion. The loan account was reduced from $122,077,252 on August 8th, to $97,245,826 on October 17th, and four days before the latter date the New York banks, with specie reduced below $8,000,000, suspended specie payments. The Philadelphia banks had preceded them by eighteen days on September 26th. One of the impelling influences of the sus-

[1] Von Holst, *Constitutional History of the United States*, vi., p. 104.

pension was the gradual decline of deposits, from $67,372,941 on August 8th to $42,696,012 on October 13th, as merchants, unable to obtain their usual accommodations, were compelled to draw upon their reserve funds. Even at this early date, before the redeposit system of the national banking law had been thought of, attention was attracted by the withdrawal from New York of "country deposits." A writer of the time declares:

"An important fact must be stated in connection with the fall of deposits between August 22d and September 26th, viz., that of the $7,322,608, full three-fourths was drawn out by the country banks; so that the amount withdrawn by the individual dealers was, at most, not above two millions of dollars. Thus, the consequences of holding a treacherous country fund *on interest*, and treating it as bank capital, fell ultimately on our city merchants.[1]

So serious was this loss that, by the Clearing House Committee which reported on the panic, it was attributed in large measure to the telegraph, which "new medium of communication filled our banks with imperative orders for the immediate return of their deposits, in specie." How vastly this little instrument was to extend the influence of the market of New York, by putting "a girdle round the earth," escaped for the moment the attention of these conservative gentlemen, but is indicated in a measure by the modest figures with which they then dealt compared with the great transactions of to-day. Loans then "reached the unprecedented height of $122,000,000 on the eighth day of August," 1857, and the country deposits were estimated at about $15,000,000. On September 14, 1912, the loans and discounts of the New York Clearing House banks were $2,010,803,000 and deposits of country banks were probably not less than $400,000,000; but under the national banking

[1] Gibbons, *The Banks of New York*, p. 355.

law cash reserves in New York are no longer permitted to drop to 10 per cent., but must equal 25 per cent. of all deposit liabilities.

The beginning of the Civil War found New York the financial center of the Union, with the Clearing House eight years old, and a large and active stock market in government and railway securities. The New York market of that time differed, however, in many respects from the market of to-day. It was isolated from the markets of Europe by the lack of the ocean cable, which came only in 1866. The principal banks were State banks. They were better organized in New York than in almost any other State, except Ohio, Indiana, Louisiana, and New England; but they did not have the legal status as reserve banks for the entire country, which was conferred on the national banks of New York by the National Banking Act of 1864. It is interesting to note the comment of an observer of that time in regard to the small part which the note issues of the banks played in the fluctuations of the market. Gibbons declares:

"The Superintendent of State Banking in his report for 1857, in view of the fact that the New York City bank currency was contracted but a million and a half during the panic, says: 'This would seem clearly to demonstrate, that whatever may lead to a suspension of specie payments, the currency of our banks, properly secured, is not an element in its production.'"

It was in 1860, seven years after the organization of the Clearing House, that Clearing House certificates were first resorted to in New York to meet the scarcity of money and the reduction of bank reserves. A Clearing House certificate is, in substance, a combination of the cash reserves of all the banks, in order that the institution whose reserves are impaired may not be driven to the wall by the heavy de-

mand for cash to make their Clearing House settlements. The certificates were issued by a committee, upon the deposit of approved securities by the banks taking out certificates, and were employed in the settlement of balances of the banks at the Clearing House. This enabled banks taking out certificates to settle their obligations without drawing upon their cash. The first issue of such certificates was on November 23, 1860, when the approach of war compelled much forced liquidation. The certificates then issued, which reached a maximum outstanding of $6,860,000, were all canceled by March 9, 1861, but a new issue was made on September 16, 1861, which reached a maximum outstanding of $21,960,000. Final cancellation was attained on April 28, 1862. Two other issues were made during the war and the same device was resorted to again in 1873, 1884, 1890, 1893, and 1907.

The war brought radical changes in the New York market by the appearance of the Government as a large borrower and by the issue of paper money, which led to the suspension of specie payments. The flood of government obligations which was poured upon the market naturally divided the speculative interest which had recently centered in railway securities. All through the war, however, and during the period of reconstruction, speculation raged furiously in railway shares, stimulated and encouraged by the fluctuations in the public credit and the resulting influence upon the popular conception of values. It was the period of Cornelius Vanderbilt, Daniel Drew, Jay Gould, and "Jim" Fisk. It was during this period that Drew and Vanderbilt executed their famous corners in Harlem, in Hudson River, and in Erie. "The Commodore," as Vanderbilt was familiarly known, was seeking to develop the Hudson River property when he found it assailed by a large bear element. Immediately taking command of the situa-

tion, he tricked his opponents into the belief that his position was weak and induced them to increase their output of short stock.[1] Getting practically all the real stock in existence into his possession and accepting contracts for additional amounts from the short interest, he soon had the market absolutely in his hands. From 112 the stock rose in a few days to 180. The shorts, unable to find stock to make the deliveries which they had contracted for, begged for mercy, and the stock was sold back to them at a handsome profit.

Much more complicated and daring were the operations of Daniel Drew, Jay Gould, and Fisk in Erie. The story of their use of the Erie is worth outlining, if only to illustrate methods which in the financial world of to-day would no longer be tolerated or possible. In July, 1868, the Erie Railway became the personal property of Fisk and Gould. The board of directors held no meetings; the executive committee was never called together. The Erie offices were moved to a white marble "palace" on the corner of Eighth Avenue and Twenty-third Street, which was furnished with vulgar ostentation, contained an opera house, and was connected with the private apartments of Fisk. Just before this (in 1866) Drew had operated his famous plan of loaning money to the Erie on the security of stock and convertible bonds and converting the bonds into stock to meet his short contracts.

It was the acquisition by Commodore Vanderbilt in 1867 of the New York Central Railroad which brought him into conflict with Drew and Gould. "The Commodore" desired to acquire Erie. To guard against the transformation of more "convertible bonds" into stock, he employed the services of Frank Work to obtain from Judge Barnard an injunction, restraining Drew from payment of

[1] *Vide* Clews, *Twenty-eight Years in Wall Street*, p. 108.

D. Rigonnewyr

JOHN PIERPONT MORGAN

Banker, born in Hartford, Conn., April 17, 1837, son of Junius Spencer (banker) and Juliet Pierpont Morgan; descendant in paternal line of Captain Miles Morgan, founder of Wales, who came, via Bristol, England, to Boston in 1637. Graduate of English High School, Boston, and studied higher branches at University of Gottingen. Began business career in 1857 in the banking house of Duncan, Sherman & Co.; in 1860, secretary and attorney in United States for George Peabody & Co., of London (his father's house); in 1864, junior member of firm of Dabney, Morgan & Co., and later of Drexel, Morgan & Co., of which he eventually became head under the firm of J. P. Morgan & Co. The house, under his personal direction, floated the $2,000,000 bonds issued by the Cleveland Administration, which saved the United States from a silver basis; reorganized and consolidated many of the largest railway systems, and organized and financed important industrial corporations, notably the United States Steel Corporation, with a capitalization of $1,400,000,000. His benefactions included the purchase of the site and equipping the buildings of the New York Lying-in Hospital; $1,250,000 for the Medical College of Harvard University; $500,000 to the New York Trade Schools; and $500,000 toward the building of the Cathedral of St. John the Divine. Died at Rome, Italy, March 31, 1913.

interest on $3,500,000 in bonds, pending an investigation of his accounts as treasurer of the railway. But Drew was equal to the emergency. Under a statute authorizing any railroad to create and issue its own stock in exchange for that of a leased line, he and his associates issued against an insignificant property, worth perhaps $250,000, the amount of $2,000,000 in Erie stock. Deals and counter-deals, and injunctions to restrain injunctions, did not prevent Fisk from seizing the enjoined stock certificates by force nor Drew from throwing 50,000 shares on the market and breaking Vanderbilt's attempted "corner." While new stock was thus being put out, Fisk is said to have summed up the purposes of his clique towards Vanderbilt in the remark, "If this printing press don't break down, I 'll be d—d if I don't give the old hog all he wants of Erie." Vanderbilt was credited with spending $7,000,000 and it was the wonder of his friends that he was not ruined. It is not surprising that such manipulations did their share in unsettling legitimate business and adding to the severity of the panic of 1873.

The panic was the natural result of the destruction of capital which took place in the previous decade and of the encouragement given to speculation by a fluctuating paper currency. The money markets of the world had to reckon not only with the enormous destruction of property in war in the United States, but with the similar fruits of two other recent wars—that between Germany and Austria in 1866, which was crowned by the victory of Germany at Sadowa, and the great war between France and Germany, for which France was compelled to pay to Germany an indemnity of a thousand millions of dollars. The direct cost of the American war, exclusive of pensions, has been estimated at more than $5,500,000,000, and the cost of the Franco-Prussian War at $2,700,000,000. An enormous amount of capital also was absorbed in the ten years prior to 1873 in the

building of railways. New construction in the United States in 1870 was 5690 miles; in 1871, 7670 miles; in 1872, 6167 miles; and in 1873, including a part of the period of panic, 3948 miles. In Russia a system of 12,000 miles of railway had been almost entirely created since 1868 and in South America nearly $200,000,000 in English capital had been borrowed, mostly for railway enterprises. It was at about this period also that the substitution began of Bessemer steel for iron as the material for rails.

The severity of the panic in the United States, as well as in Austria, was heightened by the state of the currency. There had been up to the climax of the Civil War an almost uninterrupted decline in the value of the paper money issued by the American Government and a corresponding rise in paper prices. With the close of the war, these movements were reversed. There started in a rise in the value of the currency and a decline in prices. This decline in prices spelt ruin to many who had bought real estate or merchandise in the expectation of its rise in value and imposed paralysis even upon the more conservative, who had correctly read the downward tendency of values expressed in paper money.

The specific cause usually assigned for the panic of 1873 was the failure of the great house of Jay Cooke & Company, as the result of tying up its resources in the Northern Pacific Railway. The incident was, however, only typical of the times, and if Cooke had never lived the story would have differed chiefly by the substitution of another name for his. The House of Jay Cooke & Company had grown to power and prestige by the clever and original methods employed by Mr. Cooke in borrowing money for the Government during the Civil War. Cooke was a true child of the new America—the first or nearly the first baby boy born, as he was fond of boasting, in Sandusky, Ohio. Through political and social connections, he entered

a Philadelphia banking house during the period of hazardous financing and State banking before the Civil War, and had made enough by 1859, while still under forty years of age, to contemplate retiring from active business. But his was not a nature for inactivity. The close relations established by his father and brother with Salmon P. Chase, the new Secretary of the Treasury, obtained Cooke a hearing in the floating of the early war loans. He quickly realized that if the Government was to obtain the money necessary to carry on the war, it must be by educating the people to the value of the war bonds and the necessity of taking them as a patriotic duty.

It was a wonderful campaign of advertisement, of canvassing the post-offices, of manipulating the press, and of removing opposition, which Cooke carried on in floating hundreds of millions of the five-twenties, the ten-forties, and the seven-thirties. The later flotations, however, which came after the war, required perhaps as much skill as the earlier ones, because they involved persuading the people to retain their public funds while accepting considerable reductions of interest. Inevitably Cooke's success drew competitors into the field. When the question of refunding arose, a committee representing other New York banking houses appeared in Washington to demand a share in the operation. The composition of this committee is of interest because it was practically the first appearance on the stage of public finance of J. Pierpont Morgan, then a young man of thirty-five. He, with Governor Levi P. Morton, who had established the banking house of Morton, Bliss & Company, and had enlisted the aid of the Rothschilds, appeared in Washington in January, 1873, and demanded and obtained from Secretary Boutwell a share in the new issues. The methods of the syndicate had little of the "go" of the old Cooke methods and already the tightening of the money

market was making itself felt. Where subscriptions of $600,000,000 had been expected for the new loan, they amounted after several weeks to less than $50,000,000, and the entire operation was ultimately suspended by the outbreak of the panic.

The lack of money to subscribe for the government loan was a warning of conditions prevailing in the money market generally. Jay Cooke, swept along by the great success of his methods in disposing of the war loans, believed it possible to perform the same miracle with the bonds of the Northern Pacific. It was his calculation that he could sell bonds as fast as he was called upon for money for the work of construction, and it was distinctly provided in the contract with the road that the advance in excess of bonds sold should never exceed $500,000, which itself was secured by the deposit of the company's bonds at 50 cents on the dollar.

During the summer of 1872, however, with the presidential campaign at its height, sales of bonds fell to a few hundred thousand dollars a month, while the drafts of the treasurer of the railway company were running at about $1,000,000 per month. Inevitably the balance of floating indebtedness by the railroad to the banking house began creeping up, until it stood near the close of August at $1,583,000. Ex-Secretary McCulloch, who had become head of a London branch, and other associates of Cooke, were quick to realize that the house was getting into deep water and that further uncovered advances must be stopped. It was much easier to lay down this rule, however, than to carry it out. Already there were complaints along the line of construction that wages were not being paid promptly and that men were being laid off. Smaller railway enterprises in hands less strong were going to the wall from similar causes, and in October, 1872, the coupons were defaulted on

the St. Paul & Pacific road, in which a controlling interest was owned by the Northern Pacific.

The year 1873 was thick with omens of disaster for the new railway enterprises. The Boston fire, in November, 1872, while not so disastrous as that in Chicago the year before, caused another crash in the stock market. Grave frauds were disclosed in the management of the Erie Railroad; General John C. Fremont failed conspicuously in an effort to raise money for the Southern Pacific system in France; and at last the grave exposures broke out in connection with the Union Pacific Railroad which resulted in the Crédit Mobilier investigation and its long train of scandals. A traveler in Germany wrote home in August that an American railway bond, "even if signed by an angel in heaven, would not sell." So desperate was the situation becoming that Henry Cooke, brother of Jay Cooke, put his chief dependence, in a letter to his brother, on "an unfailing confidence in the God in whom we put our trust." "I do not believe," he said, "He will desert us."

But the Lord did not intervene to prevent the results which seemed to the profane an inevitable outcome of economic laws. Jay Gould was still manipulating a powerful gold pool in the late summer and early autumn, when on September 8th the first rude blow was given to the card house of the New York money market. The New York Warehouse & Security Company suspended, followed five days later by a firm with which Daniel Drew was associated. When Mr. Cooke reached his Philadelphia office on September 18th, he found a dispatch announcing that the New York office had been closed by his partners in that city. The news spread like fire on one of the Northern Pacific's own dry prairies. Other houses fell the same day or the next day, stocks dropped from twenty to forty points, money could hardly be had at any price, and the Stock Exchange

Committee closed the Exchange, in the language of the vice-chairman, "to save the entire Street from utter ruin."

While ultimately the assets of the failed house proved to be amply adequate to meet its liabilities, the career of Mr. Cooke as a financier was ended. Facing cheerfully for a time the prospect of extreme poverty, his fortune was partially recouped six years after the panic by an almost forgotten mining investment. Repurchasing his old home in the suburbs of Philadelphia, he lived on there, content with the society of his children and grandchildren, his farming and fishing, almost forgotten by the present generation of Americans, until his death in 1905 at the age of eighty-four. In his great cape cloak and his wide-brimmed light gray soft felt, set over a gentle face adorned by a long white beard, his patriarchal figure was long familiar on the streets of Philadelphia—a very different type from the shrewd, grasping men who speculated in their country's fortunes in the New York gold-room.

The disorder and discouragement caused by the panic did not make easy the return to a sound monetary system. The corner was turned at last, however, with the resumption of specie payments on January 1, 1879. Almost from that moment prices began a slow recovery and wages began to advance. The advance of wages now had more significance than during the war time, because it was an advance in gold wages and not a mere advance in paper, which only partially offset the decline in the gold value of paper. The tendency to advance in prices, however, was concealed to a large degree by the improvements in labor-saving machinery, which greatly increased the output of the average laborer and the single machine.

A moderate degree of prosperity reigned from 1879 to 1890,—interrupted only slightly by the failures of 1884, which carried down the celebrated house of Grant &

COLONEL JOHN JACOB ASTOR

Capitalist; born "Ferncliff," Rhinebeck, N. Y., July 13, 1864, son of William and Caroline (Schermerhorn) Astor, and grandson of William B. Astor; educated at St. Paul's School, Concord, N. H., and Harvard University. Principally engaged during mature years in management of inherited estate; completed that part of Waldorf-Astoria Hotel known as the "Astoria," 1897; completed Hotel St. Regis, 1905, and Hotel Knickerbocker, 1906. Was colonel on Governor Morton's staff; commissioned inspector-general, with rank of lieut.-col., U. S. V., May 15, 1898, gave a fully equipped battery of artillery to the Government on breaking out of war with Spain; served in Cuba, including siege and surrender of Santiago de Cuba. Inventor of pneumatic machine to remove worn-out material from roads before new stone is laid down, which received first prize at World's Columbian Exposition, 1893; of a practical turbine engine, and of other practical mechanical devices. Author of *A Journey in Other Worlds: A Romance of the Future*. Was director Astor Trust Co., Illinois Central Railroad, Mercantile Trust Co., National Park Bank, Plaza Bank, Niagara Falls Power Co., Western Union Telegraph Co., etc. Member Chamber of Commerce, New York Academy of Sciences, Society Colonial Wars, Military Order of Foreign Wars, etc. Went down on the *Titanic*, after putting his young wife safely aboard a life-boat, April 15, 1912.

Ward. The years following the silver purchase law of 1890 were years of rapid expansion, until the panic of 1893 came, with its demoralizing check to nearly every branch of activity. The history of that crash belongs so largely to the history of the foolish silver legislation of 1890, which was succeeded in 1896 by the efforts to carry the country to the silver basis, that most of the details may properly be left to the competent writer of the chapter on the relations between the New York money market and the Government.

In some respects the crisis of 1893 was one of the most severe tests to which the financial structure of New York has been subjected, because the stability of the currency was seriously threatened. The Baring crisis in London in 1890, followed by the breakdown in Australian finance in 1893, had already produced their reaction upon the American market. Early in 1893 rates for money stiffened, American exports of merchandise declined by $185,000,000, loans were called, and two big bank failures occurred in Chicago. Upon these conditions of unstable equilibrium came the suspension of silver coinage by the Government of British India. Silver declined in four days from 36d. per ounce in London to 30½d. on June 30th, and grave fears arose that the Treasury of the United States would not be able to maintain the parity of the silver dollar. Net exports of gold in the three years ending June 30, 1893, were $156,132,423, and railway net earnings fell for the next year by $147,000,000. On July 26, 1893, rates for call money rose to 75 per cent. and the break in prices of securities was so violent that it was again proposed to close the Stock Exchange, as in 1873. Failures throughout the country increased from 10,270, with liabilities of $108,500,000 in the calendar year 1892 to 15,560, with liabilities of $402,400,000 in 1893.[1]

[1] A detailed account of the panic of 1893 will be found in the author's *History of Modern Banks of Issue*, fourth edition, G. P. Putnam's Sons, New York, pp. 668–697.

sums, in the form of deposits and money for investment, has placed power in the hands of the men at the head of New York finance such as has seldom been possessed by the financiers of any country.

The banking resources which have accumulated in New York constitute about 30 per cent. of the total banking resources of the United States. Among the national banks, those of the State of New York had resources in June, 1911, of $2,383,294,277, or a little less than a quarter of the resources of all the national banks of the country, which were $10,383,048,694. Of the resources of loan and trust companies, a much larger proportion is concentrated in New York. Of such companies reporting to the Comptroller of the Currency in 1911, with total resources of $4,665,110,868, the proportion belonging to New York was $1,711,599,061; while of State banks with total resources of $3,747,786,296, the proportion falling to New York was $608,030,388.

Evidence of the large share of New York in the wealth of the country is afforded by the statistics of corporations domiciled and paying the corporation tax in the Empire State. The total of corporate security issues in the United States on June 30, 1911, was reported at $57,886,430,519 in capital stock and $30,715,336,008 in bonded and other indebtedness. This aggregate of about $88,600,000,000 cannot, however, be accepted as representing tangible assets without several qualifications. The most important qualification is the ownership of the securities of one corporation by another, which results in a duplication of securities without a corresponding duplication of wealth. Figures for such intercorporate holdings are obtainable only for railways, banks, and a few other classes of corporations, but it is certain that the deductions would reduce the net wealth in corporate form to $65,000,000,000 or less, which would be about half the total wealth of country.

The share of New York in the outstanding capital of corporations paying the tax, on June 30, 1911, was $14,532,108,376, while the bonds and other indebtedness of such corporations amounted to $7,529,120,943, the two items representing one quarter of the total for the entire country. The net income of New York corporations was stated at $689,414,892, or more than 20 per cent. of the reported net income for all corporations, which was $3,360,250,642. Upon the basis of the tax of one per cent. upon net income levied by the law, the amount paid by New York corporations was approximately $7,000,000.

With the concentration of capital in New York, inevitably came concentration of banking power. Banks of small capital and limited resources were incompetent to cope with the financial problems presented by the merger of institutions like the steel companies and the tobacco companies, or to command the resources abroad which were occasionally employed to meet unusual demands upon the New York money market. With the increased concentration of banking resources came also concentration of power in a new group of men, who controlled these resources and brought into the circuit of their influence other institutions dealing in large amounts of money, like the railways and the insurance companies.

Evidence that the generation which followed the Civil War had completed its work was afforded by the passing away of its leaders. August Belmont, Sr., chairman of the Democratic National Committee, as well as financier, died on November 24, 1890. Two years later passed away, on December 2, 1892, Jay Gould, the great organizer of corners and spectacular market moves, who belonged really to the generation of the war rather than that which came after it. William H. Vanderbilt had already died on December 8, 1885, his death bringing to an end the stock

Thomas F. Ryan

THOMAS F. RYAN

Financier; born in Nelson County, Va., October 17, 1851. Went to Baltimore at age of seventeen and worked in drygoods commission house of John S. Barry until 1870, when he went to New York City. Became member of New York Stock Exchange, 1874, and soon became indentified with corporate interests relating especially to consolidating and extending the street railway and lighting systems of New York, Chicago, and other large cities, being associated in and having active charge of enterprises of the late William C. Whitney for nearly thirty years. Went to London, in 1902, to take charge of fight which the American Tobacco Co. was then making against the Imperial Tobacco Co. for a division of world territory for the tobacco trade, and in a few weeks established harmonious relations with the British corporation. Was a leader in reorganization of Richmond & Danville system into present Southern Railway; formed and executed the plans for the Central of Georgia Railroad & Banking Co.; purchased a controlling interest in the stock of the Equitable Life Assurance Society of the United States, in 1905, which was placed in the hands of trustees. Director of the Guaranty Trust Co., American Tobacco Co., and many other corporations.

market boom of that year. Another figure long known in the market, Russell Sage, shrewd reader of men and wizard of money, lingered much longer on the stage, active to the last. Mr. Sage died on July 22, 1906, and his great fortune was distributed in many important new foundations and other benefactions by his widow. Cornelius Vanderbilt, who had succeeded William H. as the financial head of the family, died on September 12, 1899.

Conspicuous among the younger group of men who came to be the arbiters of nearly everything financial in New York at the beginning of the twentieth century were J. Pierpont Morgan, William C. Whitney, Thomas F. Ryan, James Stillman, E. H. Harriman, the sons of Jay Gould, Henry H. Rogers, and the Rockefellers. The preëminence of Mr. Morgan dated back farther into the nineteenth century than that of some of his associates. Born and brought up with the most scholarly tastes and love of the beautiful, Mr. Morgan nevertheless entered a banking-house in youth and bent his energy in middle life to the consummation of some of the greatest financial enterprises of the time.

Mr. Morgan's first appearance in a conspicuous manner was characteristic of his character as one who always sought to build up values rather than to pull them down. At a time when the New York Central and the Pennsylvania were competing against each other, in 1885, until New York Central dividends had been reduced from eight per cent. to two per cent., and the West Shore line was cutting rates recklessly, Mr. Morgan called upon George B. Roberts, president of the Pennsylvania Railway. He unfolded a plan by which the warring lines might come to an agreement and the West Shore should be absorbed by the New York Central. The plan was accepted, the West Shore was leased to the New York Central from January 1, 1886, and the latter never afterwards ceased to pay a respectable

dividend. Mr. Morgan again showed his capacity as a peacemaker when he called a meeting of prominent railway presidents at his house in January, 1889, to form "The Gentlemen's Agreement" for maintaining published rates. This agreement remained in force for many years and relieved the railway situation of many uncertainties.

Mr. Morgan rescued the Government from specie suspension by the syndicate contract to control exchange in the spring of 1895. This achievement alone made him one of the most conspicuous men of his time, as well as one of the most abused by noisy demagogues and jealous rivals. Other important banking operations were crowned, however, by the creation of the United States Steel Corporation, the largest corporation in the world, formed from fourteen large steel companies, controlling about 60 per cent. of the great output of steel in the United States, and having capital liabilities of more than $1,325,000,000. Probably no corporation ever formed had so many shareholders or became a subject of such general interest among small investors. Mr. Morgan suffered somewhat in prestige when the stock market break of 1903 carried Steel common stock down from 40 to 10 and preferred from 89¾ to 49¾. But the early suspension of dividends on common stock contributed to the accumulation of the great surplus planned to meet just such emergencies in the future, and with the resumption of business activity in 1904 the foresight and conservatism of the great financier were in a large measure vindicated. With this achievement Mr. Morgan rested to some extent upon his laurels, devoting himself to obtaining for American art galleries some of the most precious work of the old masters and accumulating in his magnificent library in the heart of the city some of the rarest and choicest examples of the bookmaker's art, from the illuminated handwork of early times down to the invention of printing and the most per-

fect examples of modern binding. But in the panic of 1907 he again came to the front as the one man in whose disinterestedness and skill the entire community trusted—the one safe pilot for riding out the storm and saving the financial craft from shipwreck.

Mr. William C. Whitney won his first laurels in the field of politics. As a friend of Samuel J. Tilden, he had a share in breaking up the Tweed ring. As a friend of Grover Cleveland, he became Secretary of the Navy and had much to do with laying the foundations of that great arm of the service which now counts more battleships and cruisers than there are States of the Union. When Mr. Whitney came back to New York in 1889 it was realized that he would be a power in the world of finance. He at once took hold of the traction problem and began the organization of the great system which was to replace the confused network of independent lines with which New Yorkers were then served. Without some such guiding hand as his, the transportation service must utterly have broken down with the increase of population. So rapid has been this increase, from immigration as well as births, that probably not fifty per cent. of the existing inhabitants of New York recall the time when through competing and independent lines there were neither free transfers nor continuous transportation for any considerable distance; when horses were only gradually giving way to cable and electric power, and a line on Broadway was secured only in the face of tremendous opposition. It was out of this chaos that Mr. Whitney created the Metropolitan Street Railway system, with transfers generously given at every connecting point where the efficiency of the service permitted and with continuous runs for a single fare longer probably than are accorded in any city of the world. Mr. Whitney was active also in the organization of new banks and their gradual consolidation

into institutions capable of competing successfully with their rivals.

Associated with Mr. Whitney in most of these ventures was another man, who usually preferred silence to loquacity and quiet self-effacement to publicity. But when in June, 1905, this man suddenly rescued the financial situation from disaster by the purchase for $2,500,000 of a controlling interest in the stock of the Equitable Life Assurance Society, the figure of Thomas F. Ryan loomed large upon the national horizon. Men in New York familiar with Wall Street already knew that Mr. Ryan wielded a power and had constructive genius similar to those which Commodore Vanderbilt or Mr. Whitney possessed while living and which Mr. Morgan had demonstrated in the formation of the Steel Corporation. To the general public, however, the fact that these great names had a competitor in the person of a retiring, silent man from Virginia was comparatively unknown. Coming from the South, Mr. Ryan was naturally a Democrat and wielded a forceful influence upon the destinies of his party. When the National Convention of 1904 was on the point of breaking into revolt against the gold telegram of Judge Parker, it was Mr. Ryan, as a delegate from Virginia, who quietly drew one leader after another into conference and brought them to the conviction that there was no hope for the party except in cordial acceptance of Judge Parker's position.

To no man in the financial world, perhaps, can be attributed more important constructive work than to Mr. Ryan. Greatest of all, perhaps, was the gradual weaving into a compact body of the scattered tobacco interests of the country (more fully described elsewhere), until the American Tobacco Company came to control eighty or ninety per cent. of the business of the United States and was able to dictate terms in regard to the trade of the world to the

Tobacco Trust of Great Britain. The work of consolidating into the American Tobacco Company several large companies previously organized, which was accomplished in the autumn of 1904, involved the exchange of securities to the amount of over $600,000,000—the largest transaction of the kind in financial history. Already in the autumn of 1903, when Mr. Ryan, having acquired control of several national banks, united them with the National Bank of Commerce with a capital of $25,000,000 and a surplus of $10,000,000, it was pointed out that the interests represented had resources of more than a thousand millions of dollars. Within the sphere of influence of Mr. Ryan and his immediate associates were gathered the reserves and surplus of the Mutual Life, the Equitable Life, and the Washington Life, having admitted assets of more than $800,000,000; the deposits of the National Bank of Commerce, amounting to nearly $200,000,000; and the resources of the Morton Trust Company, the Guaranty Trust Company, the Mercantile Trust Company, and the Equitable Trust Company, amounting to about $200,000,000—a total of $1,200,000,000, or more than the ransom which France paid to Germany for the liberation of her territory in 1870, or Japan sought to exact from Russia in 1905.

At the head of another financial group of great power stood another man of eloquent silences—James Stillman, president of the National City Bank. Descended from an old English family, he showed early in his career the quiet reserve power, the ability to listen to what others said and then with unerring judgment to sift the wheat from the chaff, which mark most of the men who have become powerful in finance. When the City Bank increased its capital first to $10,000,000 and then in 1902 to $25,000,000, there were many who believed that it was Mr. Stillman's ambition to create the dominating banking institution of the country.

This belief was not impaired by the prominent part which was taken by the bank in the flotation of Amalgamated Copper, with its capital stock of $155,000,000—which brought the bank into even closer relations than before with another silent man of action, Henry H. Rogers—nor by the enlistment of the services as vice-president of Frank A. Vanderlip, who had made a remarkable record as Assistant Secretary of the Treasury with Secretary Gage. Gradually within the circle of influence of the National City Bank was brought a powerful group of banks, trust companies, and industrial corporations representing many hundreds of millions of dollars, of which not the least was Standard Oil, with a capital issued at $100,000,000, but worth in the market over $500,000,000.

A name scarcely known in the financial world prior to 1898 suddenly became the most talked of in American finance when the directors of the Union Pacific Railway, in August, 1906, announced a dividend at the rate of ten per cent. on the common stock—six per cent. from earnings on operations and four per cent. from investments. Startling and somewhat disturbing as the announcement was from a stock market point of view, it told in eloquent figures the result of ten years of silent, systematic labor. For thirty years up to 1896 the Union Pacific had dragged along under varying fortunes, weighted by a heavy debt to the Government, until finally it went into the hands of a receiver. The competition of the Southern Pacific had been one of the causes of this decline, and to bring this to an end a controlling interest in Southern Pacific was acquired and put into the treasury of Union Pacific. Then came the wonderful physical development of both roads, which discarded outworn rails, equipment, bridges, and even terminals and parts of the roadbed, and raised them to the efficiency of modern tools of transportation. Gross earnings of Union Pacific leaped

SAMUEL SLOAN

Railway president and capitalist; born in Ireland, December 25, 1817; came to America and graduated at Columbia College Grammar School in 1831; married Margaret Elmendorf. President of the Hudson River Railroad from 1855 to 1865; president of the Delaware, Lackawanna & Western Railway from 1867 to 1899; officer and director in many other corporations. Died, 1907.

from $19,811,641 in 1899 to $59,324,948 in 1905, and net earnings—in the face of greatly increased charges, bravely assumed to obtain new capital—increased from $9,388,208 to $33,958,993.

It is not surprising that achievements like these brought Mr. Edward H. Harriman into the circle of the half-dozen group of capitalists who, with the aid of foreign and home bankers, shape the policy of the great railway systems of the country. Six of the railroad groups, according to the calculations of Mr. Sereno S. Pratt in *The Work of Wall Street*, represented in 1903 $6,766,000,000—or about one half the railway capitalization of the United States. The Vanderbilt group, representing the New York Central and its connecting lines, stood for $1,157,000,000; the Pennsylvania group, under the far-sighted leadership of Mr. A. J. Cassatt, $1,341,000,000; the Gould group, $810,000,000; the Morgan-Hill group, controlling the Northern Pacific and other roads which were pooled in the Northern Securities Company, $1,398,000,000; the Morgan group proper, including the Reading and Southern, $1,014,000,000; and the Harriman group, which raised to a dominant position the Union Pacific, $1,046,000,000.

With the growth in the demands upon New York as a financial center naturally occurred the extension of the machinery for carrying on exchange, both by the expansion of old parts of the mechanism and the creation of new parts. As the creation of such instrumentalities went on in a measure *pari passu* with the demand for them, they contributed their share towards making the city of New York the undisputed center of exchange in America. Among the parts of the mechanism contributing to this result which deserve some notice here may be named the reserve requirements of the national banking system; the extension of the functions and re-

sources of trust companies; the operation of powerful foreign banking houses; the perfection of organization of the Clearing House, the Stock Exchange, and the Stock Exchange Clearing House; and the extension of the mechanism for gathering news of mercantile credit. All these agencies have worked in harmony towards drawing surplus resources and the financial operations of the country from smaller cities, once important, to New York.

While, even before the Civil War, considerable deposits were kept in New York by country banks, growing out of the import and export business and necessary operations in foreign and domestic exchange, it was the National Banking Act which consecrated by law this tendency towards keeping surplus funds in the metropolis. This act authorized national banks to count as a part of their lawful reserves money kept on deposit with national banks in New York. The banks of reserve cities were allowed to keep half of their required reserve of 25 per cent. in New York, while the country banks were permitted to keep three fifths of their reserve of 15 per cent. in national banks in any reserve city. Hence was given definite legal sanction to the principle of the redeposit of surplus funds in the financial center, and the creation of a system of relationships similar to that between the country banks, the joint stock banks, and the central bank of issue in England, except that in New York there was lacking the central bank of issue with such special powers as are found in the Bank of England.

For many years the reserves kept by country banks in New York were only such as were required to meet the many demands made upon them for drafts on New York in the course of current business and such additional amounts as might afford a reserve resource in case of emergency. The New York banks paid from one and a half to two per cent. interest on such deposits, which added something to the disposi-

tion of the country bank to increase them at such seasons of the year as there was no active demand for capital at home. With the formation of the large industrial combinations, however, the tendency was accentuated to increase such deposits. Such of these new corporations as were financed upon a sound basis found it no longer necessary to borrow on their commercial paper to the same extent as the private partnerships and smaller corporations from which they had been formed. They were at once able to carry on their transactions, to a larger extent than formerly, without reliance upon credit, and also felt under the necessity, in view of the magnitude of their operations, of keeping their funds either directly in New York or with the banks in other reserve cities with which they did business. In many cases, also, industries located far from New York and previously concerned only incidentally with New York banks found it convenient to establish their financial headquarters in the metropolis. Hence came about the rapid increase, after the business revival of 1897, in the deposits of outside banks with the national banks of New York. The gross amount of such deposits early in 1890, as appears in the table below, was about $181,000,000. It had grown in 1900 to $337,000,000 and in 1905 to $574,000,000. This was the maximum point for several years in the gross amount of such deposits, but the total did not materially decline. It came to include, not only large reserve deposits from country banks under the national banking law, but similar deposits from State banks and trust companies away from New York, made in many cases under the sanction of State laws regarding reserves similar in character to the law regulating national banks. Deposits of this character for representative years appear in the following table[1]:

[1]As the table indicates, obligations of national banks to trust companies and savings banks were not separately stated prior to 1901. They were included for the most

Obligations of New York National Banks to Other Banks

Date.	Due to Other National Banks.	Due to State and Private Banks.	Due to Trust Companies and Savings Banks.
Feb. 28, 1890	$132,153,883	$48,789,916	.....
Mar. 1, 1892	180,790,947	67,239,327	.....
Mar. 5, 1895	137,164,947	63,296,138	.....
Feb. 28, 1896	123,230,639	57,641,674	.....
Feb. 18, 1898	240,843,341	93,457,882	.....
Feb. 13, 1900	228,962,669	108,462,938	.....
Feb. 5, 1901	285,094,297	76,379,527	$115,666,821
Feb. 25, 1902	280,143,382	78,631,486	113,809,652
Feb. 6, 1903	267,800,429	72,116,870	114,648,379
Jan. 22, 1904	269,619,228	72,971,618	135,514,319
Jan. 11, 1905	290,468,525	83,757,041	199,823,107
Jan. 29, 1906	285,815,239	88,840,306	148,202,909
Jan. 26, 1907	309,315,507	84,548,146	126,541,010
Feb. 14, 1908	275,829,880	71,708,337	166,389,115
Feb. 5, 1909	364,338,302	94,074,497	225,457,661
Jan. 31, 1910	306,912,760	95,118,322	199,218,678
Jan. 7, 1911	329,301,120	93,589,388	182,858,268
Sept. 4, 1912	345,018,691	102,677,619	197,339,597

These banking reserve deposits are an important factor in the recent expansion of the resources of New York banks, but they are only one of several factors which indicate the manner in which New York has gathered to herself the financial primacy of the United States. The resources of national banks in New York have not grown at a rate much

part under the head of "Amounts Due to State and Private Banks," as is shown by the shrinkage in the latter item when the items were separately stated. It is not improbable, however, that some of the obligations to trust companies and savings banks were lumped with individual deposits prior to 1901, so that the growth in the two items after they were separately stated may appear to be somewhat greater than the actual fact. A qualification of this kind, however, detracts little from the comparative value of the figures.

more rapid than those of the national banks of the country, but New York has undoubtedly gained over formerly strong rivals and a part of the gain for the rest of the country has been spread out laterally over sections formerly undeveloped.

The growth of resources of national banks affords only a partial index, however, of the increased banking power put at the command of New York captains of finance within the past decade. A new weapon has been forged in the trust company, which sometimes antagonizes national and State banking interests, but more often supplements and aids them. The trust company was organized primarily to supply the need for greater system in dealing with trust obligations. Even down to the present time, the trust company has not become important in Europe, where railway mortages and similar obligations are in the hands of individual trustees. The formation of new railway corporations and the issue of new securities by old corporations in the process of combining and reorganizing after the panic of 1893 made it of the highest importance that issues of securities for such purposes should be carefully supervised. Acting as trustee, as registrar, and as transfer agent, the trust company afforded a security to the public which was not afforded by the old system of individual trusteeship and of registration and transfer at the office of the corporations issuing securities. Hence arose an important function which could not well be assumed by national banks. In respect to private trusts also, the trust company was found more satisfactory in many respects than individual trustees, because of its continuing corporate obligation, its office force and vaults especially created for this service, and the greater security and uniformity of methods to which such an organization contributed.

Very quickly after their organization, however, trust companies added to their strictly trust functions various

forms of banking activity. Receiving at first deposits in trust, in accordance with their nominal purpose, upon which they paid interest, they became attractive to depositors for any funds which were not in daily use. Hence arose the certificate of deposit for a fixed term, upon which interest was given at rates ranging as high as three and occasionally even four per cent. From receiving these more or less permanent deposits, it was an easy step to receiving accounts which were more active. The stronger trust companies of the city of New York, however, did not as a rule compete either for active deposit accounts or for commercial loans. The fact that they paid interest on deposits absolved them from the obligation to accommodate their depositors with loans, which is tacitly assumed by a national bank dealing with mercantile clients. The trust companies, therefore, employed the funds at their disposal to a large extent in loans secured by the deposit of stocks and bonds. In this respect their policy did not differ from that of national banks, except that many of the stronger trust companies limited their operations to this type of loans and did nothing in commercial paper.

Only by such machinery as that of the New York Clearing House would it have been possible to carry on the great transactions of the period of prosperity which followed the depression of 1893–97. The clearing system is a development of a principle of a Roman commercial law known as *compensatio*—the setting off of a debt which one owes to another by a claim against him. This principle became familiar in merchandise transactions at the great fairs of the Middle Ages, but was not applied definitely to modern banking until the foundation of the Edinburgh Clearing House in 1760 and that of London about 1775. London banks down to about the latter date sent out clerks daily to collect from other banks the notes and other obligations of

Isaac N. Chapman

ISAAC NEWTON SELIGMAN

Banker, born Staten Island, N. Y., July 10, 1856; son Joseph and Babette Steinhardt Seligman; brother of E. R. A. Seligman of Columbia University; A.B., Columbia, 1876; married Guta, daughter of Solomon and Betty Loeb, 1883. Was member of the victorious Columbia "eight," defeated Harvard, Yale, and other crews on Saratoga Lake, 1874. In banking business since 1876; member firm J. & W. Seligman & Co., bankers, New York, since 1878; trustee Mutual Life Insurance Co., Russia Life Insurance Co., United States Savings Bank, Lincoln Trust Co., Mount Morris National Bank; treasurer and director City & Suburban Homes Co.; vice-president of United Hebrew Charities, St. Joseph's Guild, National Civil Service Reform Association, Chamber of Commerce, Tax Reform Association, Legal Aid Society, City Club; treasurer Citizens' Union; treasurer Hudson-Fulton Memorial Commission; vice-president and treasurer Andrew H. Green Memorial Association; vice-president and treasurer Carl Schurz Memorial Committee; Member Academy Political and Social Science.

such banks which had fallen into their hands. This required each bank to keep a large amount of money and led the bankers to determine upon a common meeting place for their clerks for the settlement of balances.

A similar plan was proposed in New York by Albert Gallatin in a pamphlet published in 1831, but no definite action was taken until 1853. The number of banks in New York had increased from twenty-four in 1849 to sixty within four years. At first it was sought to obviate the difficulty and expense of having sixty porters on the move daily from bank to bank by permitting weekly settlements on Friday mornings, but this arrangement was taken advantage of by some of the weaker banks, to borrow of the larger ones by drafts during the week, which were paid only on the eve of the settlement. Finally, after much confusion, a clearing house arrangement was made which took effect October 1, 1853.

The economy in the use of money realized by the clearing system has been in New York about 95 per cent. of the volume of transactions. Greatly as their aggregate has grown since 1863, the average daily balances over a year which have been paid in money have not been higher than 6.71 per cent (in 1895) nor lower than 2.99 per cent. (in 1869). The variations have undoubtedly been greater for single days, and are subject to the accidents of exceptional balances for or against particular banks. The aggregate of clearing transactions is greatly influenced by the state of trade. Clearings at New York were reduced in volume beginning with 1892 by the creation of the Stock Exchange Clearing House. Making some allowance for this influence, the variations in average daily clearings under different business conditions may be deduced from the following table[1]:

[1] This table is adapted from the author's *Principles of Money and Banking*, vol. ii., p. 243.

Variations in Clearings at New York
(Year ending September 30.)

Year.	Average Daily Clearings.	Per Cent. Balances to Clearings.	Remarks.
1870	$90,274,479	3.72	
1873	115,885,794	4.15	Great business activity.
1874	74,692,574	5.62	Industrial depression.
1881	159,232,191	3.66	Renewal of railway building.
1885	82,789,480	5.12	Results of bank panic.
1890	123,074,139	4.65	Business expansion.
1894	79,704,426	6.54	Depression following panic.
1896	96,232,442	6.28	Free-silver panic.
1899	189,961,029	5.37	Renewed confidence and activity.
1901	254,193,639	4.56	Culmination of industrial flotations.
1904	195,648,514	5.20	Diminished Stock Exchange operations and business activity.
1905	302,234,600	4.33	Renewal of business activity and speculation.
1906	342,422,773	3.69	
1907	313,537,570	4.00	
1908	241,413,023	4.63	Reaction from panic of 1907.
1909	326,505,468	4.22	
1910	338,461,911	4.09	

The settlements in New York are made nominally in money, but actual transfers of coin and legal tender currency have been reduced to a minimum within the last few years. United States currency certificates, issued by an Assistant Treasurer of the United States in denominations of not less than $5000, upon the deposit with him of United States notes, were largely used at one time, but authority for their issue was repealed in 1900. After the completion of the

new Clearing House on Cedar Street, early in 1896, gold certificates issued by the Clearing House upon deposits of gold coin made in its vaults came into general use. The certificates are used only between banks, and may be presented at any time for redemption in the gold which they represent.

The rapid expansion of the business in foreign exchange has naturally brought wealth and importance to the houses carrying it on. Early in the nineteenth century London bankers began to establish branch houses in Wall Street. In 1825 the existing house of Brown Brothers & Company was established as an offshoot of Alexander Brown & Sons of London. In 1837 August Belmont, the senior, was appointed representative of the Rothschilds in New York, and this connection has ever since been maintained. Mr. Belmont became not only a financier whose views were always sought on business questions, but a figure of first importance in the civic life of the city and the affairs of the nation. For many years his position as chairman of the Democratic National Committee gave him an influence which, while the country was passing through severe financial storms, was steadily exerted on the side of conservatism and sound money.

Of the three sons of August Belmont two became active in public affairs, while to August Belmont, Jr., was left the practical management of the great banking house. Mr. August Belmont, Jr., rendered perhaps the greatest service to the city when he staked his financial reputation upon the construction of the first subway. Mr. Belmont already represented large interests in the Manhattan elevated lines and when the subway was proposed recognized the fact that the two systems might be dangerous competitors. When the Rapid Transit Commission first proposed their comprehensive program for the construction of the subway

and the tunnels under the East River, capitalists were timid about entering upon a project so large and uncertain. But Mr. Belmont, with that foresight which characterized so strongly the European founders of his house, the Rothschilds, assumed the risks of the work and soon united the elevated and subway systems by guaranteeing interest at the rate of seven per cent. upon the Manhattan Elevated stock.

The important house of the Belmonts thus became closely identified with the civic life of New York and the prosperity of the nation. This was equally true—at least on the broader side of the subject—of the other great houses which dealt in foreign exchange. Their ordinary exchange business, based upon commercial bills, was given volume and variety by the relations established with European bankers for the flotation of railway and industrial loans and the temporary transfer of funds to take advantage of differences in interest rates or for the relief of the money market.

Among the strongest of the other foreign banking houses may be named, as typical of the rest, Kuhn, Loeb & Company, J. & W. Seligman & Company, Speyer & Company, and Ladenburg, Thalmann & Company. Kuhn, Loeb & Company, founded in 1869, became one of the largest dealers in railway bonds, establishing close connections with large lines or systems, like the Pennsylvania, the New York Central, and the Union Pacific. Mr. Jacob H. Schiff, the present head of the firm, is one of New York's foremost citizens, not only as a financier, but as an advocate of many important public measures and a generous supporter of charities and philanthropic work. Mr. Paul Warburg, another member of the firm, is a well-known expert in monetary science and was one of the first to recommend the introduction upon the New York market of the system of acceptances, so widely in use in Europe.

The house of Seligman was founded by Jesse Seligman,

the eldest of eight brothers, who was educated at the University of Erlangen in Bavaria and came to America in 1838 at the age of nineteen. After some mercantile ventures, he was attracted by the possibilities of banking offered by the Civil War and in 1862 founded the house of J. & W. Seligman & Company as it still exists. The parent house in New York was presided over by Mr. John Seligman, assisted by his brothers James and Jesse. Leopold and Isaac assumed charge of the house established in London; William became resident partner of the branch in Paris; and Henry and Abraham were resident partners at Frankfort-on-the-Main. Branches were also established in New Orleans and at other points.

The first notable enterprise of Jesse Seligman was the introduction of United States bonds to the people of Germany. This was accomplished in the year 1863, when the National credit was in its most uncertain condition, but was crowned with gratifying success—not only in securing money but foreign sympathy, of which the nation then stood sorely in need. These services were recognized by the Government by designating the Seligman house in London as the authorized European depository of the State and Navy departments. Mr. Seligman was active in the formation of the syndicate which refunded the "five-twenty" bonds in 1871 and 1872, and the government reports dealing with these operations are full of dispatches between the Secretary of the Treasury and the Seligmans. When Jesse Seligman died on April 25, 1880, the Secretary of the Navy, the Hon. Richard W. Thompson, addressed a letter to the House recounting the services which Mr. Seligman had rendered the Navy Department in the summer of 1877 by accepting navy drafts when the appropriation had been exhausted, in the belief that they would be paid from the appropriation for the next year.

The founder of Speyer & Company was Mr. Philip Speyer who came to New York in 1837, and in connection with the importation of English goods developed a business in foreign exchange. A few years later was formed the firm of Philip Speyer & Company, and this name was used until 1878, when the death of the founder led to the change of the name to its present form, Speyer & Company. This firm also was largely instrumental in making a market for United States bonds in England, and, in view of their great rise after the Civil War, with substantial profits to their clients, paved the way for the introduction of other types of securities. During the creative period of Amerian railroading the firm was successful in placing in England, Germany, and Holland the bonds of the Central Pacific, Southern Pacific, Illinois Central, St.Paul, Pennsylvania, Baltimore & Ohio, and many other of the best railway securities. The present head of the firm is Mr. James Speyer, a son of Gustavus Speyer and nephew of the founder of the house.

When trust companies assumed in a measure the banking functions which it was felt by the national and State banks belonged exclusively to themselves, some antagonism arose between these different institutions. It was not so acute in some respects as it might have been if many of the strongest trust companies had not been closely associated, through community of ownership and control, with the largest national banks. Thus, the National City Bank was in close alliance with the United States Trust Company, the Farmers' Loan and Trust Company, and the New York Trust Company; while common interests held stock in the National Bank of Commerce and in the Guaranty, Mercantile, and Equitable trust companies. Notwithstanding this community of interest, however, the active managers of the banks secured the adoption of rules by the Clearing House on February 11, 1903, requiring trust companies which cleared

James R. Morse

JAMES ROLLAND MORSE

Merchant and foreign exporter; born near Ripon, Wis., January 1, 1848; educated in the public schools. Spent many years in the Orient in organizing import and export business with America and largely interested in the American Trading Co., of which he is president. Is also director of the International Contract Vending Co. Is a member of the Yokohama United Club of Tokio, Japan, the Tokio Club, Shanghai Club, and New England Society, and director of the American Asiatic Association.

through a clearing bank to maintain cash reserves equal to 15 per cent. of their deposits.

This action failed for the moment of its intended effect. The trust companies withdrew from the Clearing House and for several years checks upon them were collected by the primitive method of messengers from every institution having checks against a given trust company presenting them for payment over its counter. A law was passed at Albany in 1906 requiring trust companies to keep reserves against demand deposits of 15 per cent., of which one third must be in cash, and one third might be on deposit in national banks and one third in approved securities. It was under this law that the trust companies met the panic of 1907, and were compelled, like the national banks upon which they leaned, to suspend or greatly limit their payments of currency to depositors. The panic was followed by the law of 1908, raising the requirement of actual cash against demand deposits to 15 per cent., and carefully defining what constituted such deposits. While this requirement was a great improvement over the earlier law, it left still open the breach between the trust companies and the Clearing House banks.

It was under these conditions that several events occurred which might have invoked a new panic, but for the leadership of the same resolute figure which had stayed the panic of 1907. Early in January, 1911, a notice was posted on the doors of the Carnegie Trust Company that it had been closed by the State Banking Department, pending examination of its condition. The record of the company had been more or less stormy since its foundation. Heroic efforts by its founder, the brilliant and versatile Charles C. Dickinson, had failed to maintain its prestige. The spectacular performances of a former Secretary of the Treasury, under whose presidency large sums were lent to

an irresponsible promoter, were followed by the sale of the controlling interest to a group of speculators, some of whom later were convicted in the courts as the result of their questionable financial performances. Mr. Dickinson himself, worn down by the effort to save the institution from discredit, died suddenly under peculiar circumstances in 1910, and the company failed to recuperate, even with the aid of deposits of city money transferred to its custody by a city chamberlain, who in his turn was convicted in the courts.

The announcement of this disaster, with the impending failure of two or three minor companies which were in close relation with the Carnegie Trust Company, brought a gathering on the evening of January 8, 1911, of the financial leaders of New York in the library of Mr. J. P. Morgan. With memories of the trying days of 1907 fresh in their minds, there came together on that memorable evening such men as Henry Phipps, Paul D. Cravath, Otto H. Kahn, James G. Cannon, Walter Frew, A. Barton Hepburn, and representatives of other strong banks and banking houses. A statement was given out that the Madison Trust Company, which was closely related to the Carnegie, would be absorbed by merger with the Equitable Trust Company, which was under the resolute presidency of Mr. Krech, and that the financial needs of the Nineteenth Ward and the Twelfth Ward Banks would be provided for by the firm of J. P. Morgan & Company.

The danger of panic was thus stayed, but the financial leaders determined that the time had come to bring to an end the discord existing between the Clearing House banks and the trust companies. The controlling spirits in a majority of the larger trust companies agreed to conform to the Clearing House ruling requiring 25 per cent. cash reserves against demand deposits, and were welcomed back to the Clearing House. Thus was brought to an end a

condition which had long been a weakness in the New York financial world, and the leading banking institutions of the city were knit together as closely as was practicable under the American system of isolated banking units. Incidental to the house-cleaning which followed the return of the trust companies to the Clearing House was the institution of a system of regular examinations of the Clearing House banks by an examiner appointed by the Clearing House Committee and under instructions to report to them any irregularities or reckless and irresponsible banking.

Gradually, the smaller and weaker banks and trust companies were eliminated by absorption with the stronger ones. Of thirty-three companies which were actively competing for business in 1902, twenty had been merged before the year 1913 with other companies or had gone into liquidation. Among companies which thus disappeared—some of them institutions of large resources and successful management—were the Atlantic, Bowling Green, Central Realty, Bond & Trust, City, Colonial, Continental, Fifth Avenue, Holland, Knickerbocker, McVickar, Manhattan, Mercantile, Merchants', Morton, North American, The Trust Company of America, The Trust Company of the Republic, and the Van Norden. Some new companies had taken their places, so that in Greater New York there were still in operation thirty-four companies, of which fifteen were in the Clearing House. The trust companies which towered above all others in the magnitude of their resources were the Bankers' Trust, the Guaranty Trust, the Farmers' Loan & Trust, the Equitable Trust, and the City Trust Company.

Among bank mergers, one of the most interesting, from an historical point of view, was the absorption in the spring of 1912 by the Hanover National of the Gallatin National Bank. While the Gallatin had become a relatively small institution, it had been founded by Albert Gallatin, Jefferson's

great Secretary of the Treasury—second only to Hamilton among those who built up and protected the national credit—and its charter dated back to 1829. The bank gained additional prestige in its later career from the presidency of Frederick D. Tappen, who served from 1869 until his death in 1902, and took a leading part in guiding the financial world through the panics of 1873 and 1893.

Closely connected with the development of American banking relations in foreign countries has been the expansion of commercial business with Latin America and the Orient. Several strong banking houses do business almost exclusively with the Latin-American countries and have endeavored to aid merchants in those countries during periods of disturbance and bad crops by extending long-term credits. This system of credits has not obtained so firm a footing, however, among American exporters as among those of Great Britain and other European countries. In the Orient, American enterprise obtained an early footing. Even before the romantic days of Perry's opening of Japan, the house of Russell & Co., in which the Forbes family of Boston had a share, was doing a large Oriental business. While many changes in methods and personnel have occurred in half a century, some of the best traditions of the early traffic are still preserved by the China and Japan Trading Co. and by the American Trading Co. Men like Silas D. Webb of the former company and James R. Morse of the latter passed many years in Eastern trade and brought back their ripe experience for the conduct of their business in New York. The beginnings of the China and Japan Trading Co., of which Mr. Webb is president, lay in the business established in the year 1847 under the style of Fogg Brothers in Boston, Mass., and H. Fogg & Co. in Shanghai, China. In 1852 the American house was removed to New York, and in 1860 the name of the American firm was

changed to William H. Fogg & Co. Both the American and Chinese houses were absorbed by the Trading Company after its incorporation in 1876. The business has, therefore, been a continuous one since 1847 and the company and its predecessors have conducted business with China under the protection of various treaties between the United States and the Chinese Empire for the encouragement of commerce and the regulation of trade. This business has covered a wide field, but has been concerned largely with extending the market for American cotton goods in the Orient and bringing back silks and tea.

The American Trading Co., of which Mr. Morse is president, has a capital of $2,500,000, and is engaged in the business of exporting American products and manufactures of all kinds and in importing into the United States the natural products of the Oriental countries. The company has expanded its relations to include not only China and Japan, but the Philippine Islands, Cuba, Venezuela, and other Latin-American countries, and even Africa and Australia. The exports made by this company from the United States reach $20,000,000 per annum, without counting the sub-trade carried on by the company's houses in the East and in South America. The business of the American Trading Co. was first established in 1877 and absorbed later the large business formerly done by Flint, Eddy & Co. One of its special features is the maintenance of a regular engineering department devoted to the sale of American machinery.

Inevitably, with the expansion of the trade of the Empire City of the country came the need for harbor improvement and terminal facilities. The rapid growth in length and draft of transatlantic liners led to the cutting of Ambrose Channel and the demand for larger piers. It became obvious, with the close of the nineteenth century, that even these

improvements would not meet the growing business of the city, if it were attempted to handle it all on Manhattan Island. Out of this realization developed a comprehensive new system of handling both foreign and domestic freight. A young man who had inherited a great fortune, but who preferred to render public service to spending a life of leisure, conceived the idea of acquiring the low-lying and apparently worthless flats of Brooklyn for a great freight terminal, which should relieve Manhattan Island from a large share of the freight handling, warehousing, and distribution which caused so much congestion along the water front. Out of the foresight of this young man, Irving T. Bush, grew the Bush Terminal Co., which practically created a new city under the shadow of the Statue of Liberty. Started as a private enterprise in 1895, two large piers were completed in 1903, and the subsequent history of the company has been one of constant expansion.

The Bush Terminal plant occupies two hundred acres of land; has seven modern extension piers, each nearly a quarter of a mile long; has 130 warehouses and railway yards, and trackage for two thousand freight cars. It possesses its own locomotives, tugboats, car floats, lighters, barges, and all the other equipment necessary to the movement of freight. At these piers are anchored vessels from every quarter of the world. Apart from the big Atlantic liners, run chiefly for passenger service, a larger number of vessels with greater tonnage arrive from foreign ports at the Bush Terminal than at all the piers of the mainland. Incoming freight is loaded directly on the cars by automatic machinery, while outgoing freight is transferred from the cars directly to the vessels which are to carry it to Europe, India, South Africa, Australia, and other remote parts of the world. By the system of tugs and car floats, freight which is not to be consumed or distributed on Manhattan Island no longer

THE BUSH TERMINAL PLANT

This presents a general view of the scope of this large freight terminal, with its facilities for docking ocean-going vessels and loading and unloading freight directly from cars to vessels and cars to warehouse. The plant occupies two hundred acres; has seven extension piers, each nearly a quarter of a mile long; one hundred and thirty warehouses; and railway yards and trackage for two thousand freight cars. It possesses its own locomotives, tug boats, car floats, lighters, barges, and automatic equipment.

congests the streets of the city, but the cars are taken from the New Jersey and New England terminals direct to the Bush Terminal plant.

Even manufacture for export is carried on in buildings specially designed for this business, with ample light and air, and with quick telephone and transit communication with offices in New York. The radical reconstruction of New England railway connections, bringing traffic across Long Island Sound directly to the Bush Terminal, is another measure which has relieved the congested streets and railway terminals of Manhattan. Ultimately, as the enterprise grew in magnitude, Mr. Bush transformed his private venture into a stock company, whose securities stand high in the market. The capital stock of the Bush Terminal Co. is $5,300,000 actually issued, while bonds are outstanding to the amount of a little less than $10,000,000. The total assets on July 31, 1912, were $18,768,433. So essentially is the enterprise a part of the necessary equipment of modern New York that negotiations have been going on for the acquisition of the great plant by the city.

Modern means of communication are an important factor in the mechanism of New York business transactions. The volume of business which is now done, both on the Stock Exchange and in the offices of captains of finance, would have been impossible before the development of the ocean cable, the telegraph, and the telephone. While American stocks were the subject of speculation in London even before the development of railways, and the bonds of the Camden & Amboy Railroad were listed there as early as 1838, it was only with the installation of the cable in 1866 that it became possible to keep quotations approximately level in both markets. The outbreak of the Civil War found New York separated by about two weeks from London and by a still greater time from other foreign markets. It

was said that New York brokers were paying as much as $1,000,000 per year for London dispatches with the installation of the first working cable in 1866. Twenty words to London then cost $100, as compared with $5 to-day. At present it is the estimate of cable officials that fully ninety-five per cent. of all messages sent are in code and that one thousand messages come from the financial district daily.

On land the electric telegraph has contributed its share in bringing together the markets of the world. The system of stock tickers, now installed in nearly all the brokerage offices and in leading hotels and other places where men gather to discuss prices, has made the news of transactions on the Stock Exchange as nearly instantaneous as the advance of present-day science permits. In addition to Stock Exchange quotations, which are carried to nearly two thousand tickers in Greater New York and Jersey City, there are one hundred machines reporting the grain and produce quotations, and there are additional hundreds in Chicago and other leading cities of the country. Many brokers lease wires to connect their Wall Street offices with branches in other parts of the city and country, paying large sums for this service.

The telephone has doubled and perhaps trebled the working efficiency of all those classes of men who decide important questions by a word and leave the details to their subordinates. Mr. Morgan, or Mr. Ryan, sitting in his office, was able to direct his secretary to get in communication with any other financial leader and perhaps in a talk of two minutes decide what, before the invention of the telephone, would have required a special visit or a long exchange of letters. On the Stock Exchange alone business aggregating over $100,000,000 per day is transacted by telephone. In the last analysis some of the great fortunes which have been accumulated during the closing years of the nineteenth

century and the opening years of the twentieth century have probably been augmented—perhaps in some cases actually made possible—by the quickness of communication and the ability to do a great deal in a short space of time which the telephone service affords.

An auxiliary part of the mechanism of exchange is the news bureaus, which issue every few minutes, for distribution in banking and brokerage offices, printed slips containing the latest news from all over the world which is likely to affect in any way market conditions, to stimulate confidence or to arouse anxiety. Not stock quotations alone or quotations on the produce and cotton exchanges appear on these slips, but reports about the crops, railway gross and net earnings, increases or suspension of dividends, anticipations of Treasury reports and presidential addresses, and even happenings in foreign cabinets and financial markets.

James G. Cannon

JAMES GRAHAM CANNON

Banker, born in Delhi, Delaware County, N. Y., 1858, son of George B. and Anna E. Cannon; educated New York City schools; married in New York City, Charlotte B. Bradley. Engaged in banking in New York City from 1876; vice-president Fourth National Bank of New York until 1910; president since August, 1910; director Agricultural Credit Co. of New York, Associates Land Co., Bankers' Trust Co., Fifth Avenue Bank, Metropolitan Trust Co., United States Mortgage & Trust Co., United States Guarantee Co., Transatlantic Trust Co., Standard Milling Co.; trustee Associated Simmons Hardware Companies, Franklin Savings Bank, United States Casualty Co., and New York University; chairman of the executive committee of the New York Chamber of Commerce, president board of trustees Hahnemann Hospital; member International Committee Y. M. C. A.; vice-president and director Packard Commercial School; treasurer and director Woodlawn Cemetery.

CHAPTER IV

NEW YORK AND THE NATIONAL FINANCES

BY JAMES G. CANNON

THE connection of New York with the finances of the government has been long and intimate, as the natural result of the concentration of financial operations in the metropolis. The first name which suggests itself almost inevitably as representing the participation of New York in national finance is that of Alexander Hamilton. Although Hamilton was not a born New Yorker, his arrival in the city as a youth to make his fortune, and his marriage at the age of twenty-four to Miss Elizabeth Schuyler, daughter of General Philip Schuyler, identified his career with the Empire State. As early as 1781 Hamilton was suggested to Washington by John Sullivan for head of the Treasury Department, which had just been created by the Continental Congress. Washington replied that "few of his age have a more general knowledge, and no one is more firmly engaged in the cause, or exceeds him in probity and sterling virtue." Robert Morris, an older man, obtained the place at the time, but Hamilton opened a correspondence with him which showed much constructive ability and established a warm friendship between the older and the younger man.

The brilliant career of Hamilton in organizing the finances of the young nation when he became the first Secretary of the Treasury under Washington, belongs to

the history of the Union as much as to that of the Empire State. When Hamilton assumed this position, after his brilliant fight to persuade New York to ratify the Constitution of 1789, he was only thirty-two years of age. It was not the ordinary functions of a Minister of Finance to which he was called. The whole work of organizing a department, establishing the national credit, creating a national bank, providing a coinage system, framing a scheme of taxation, and unsnarling the financial tangles left by the Revolution, lay before him. To describe this work in detail would go beyond the limits of this sketch. It was not until September 2, 1789, five months after the inauguration of Washington, that the Act was passed establishing the Treasury Department. Washington at once sent in the name of Hamilton for Secretary of the new Department, and ten days after his appointment Congress requested him to prepare a report on the public credit. Then came calls for reports on the collection and management of the revenue, estimates of receipts and expenditures, the regulation of the currency, the mint, the post-office, the navigation laws, and the public lands.

When Congress met in January, 1790, Hamilton submitted his report on public credit, which has long stood out as one of the master state papers of American history. Read in the light of the economic progress of more than a century, its conclusions still bear analysis as being far in advance of his time and in the main sound and clear. In 1790 political economy as a science had hardly been born, and the work of Adam Smith, although about fourteen years old, was probably known to but few in America. Hamilton in his report gathered up the scattered threads of the disordered finances of the Continental Congress and of the States and showed how they could be woven into a band of strength and symmetry, holding together by the

motive of enlightened self-interest all parts of the new Union.

Hamilton recommended planting the public credit upon firm foundations by resolutely assuming not only the obligations of the Continental Congress, but also assuming the debts of the several States incurred for the purposes of the war. The latter step tended to equalize the burdens which had been assumed generously and in large measure by some of the States, and reluctantly and in small measure by others, but Hamilton insisted that the war debt was a national obligation, and that so far as it affected the people of the Union, no greater revenues would be required if the provision was made for it wholly by the United States or partly by the States separately. He pointed out that the control of the entire matter by the Federal Government would secure uniformity of treatment for public creditors and would prevent competition between the Union and the States for sources of revenue.

Hamilton found the public debt to be $54,124,464.56. This included the foreign debt, amounting to $10,070,307, with arrears of interest amounting to $1,640,071.62; the domestic debt of $27,383,917.74, with arrears of interest amounting to $13,030,168.20 and the unliquidated debt of about $2,000,000. The amount of the State debts he estimated at $25,000,000, making the total amount to be dealt with something more than $75,000,000.[1]

The effect of Hamilton's report was so stimulating to the public credit that it led to serious complaints that speculators, as soon as they knew its contents, had seized the occasion to buy out at low figures all the outstanding certificates of the debt which they could obtain. The entire funding project was approved in committee, but when it was taken up in the House on March 29, 1790, the opposi-

[1] *Vide* Conant's *Alexander Hamilton*, ch. iii., Houghton Mifflin & Co., Boston.

tion was swelled by the arrival of the members from North Carolina, which had just entered the Union. They succeeded in recommitting the project for the assumption of the State debts. It was after the final vote against the funding project on April 12th, when it was rejected by a vote of 31 to 39, that the famous arrangement was made between Hamilton and Jefferson by which the national capital was fixed at Washington in return for Southern votes for the funding project. The next session of Congress witnessed the presentation by Hamilton of his report in favor of the first United States Bank, with a capital of $10,000,000, which became law on February 25, 1791. The bill was passed only after resolute resistance by the strict constructionists of the Constitution, of whom Jefferson was the head. Even after its passage by the two Houses, the Cabinet divided on the question, and each member submitted his opinion to Washington in writing before he affixed his signature.

It was to New York that Hamilton, after his distinguished services for his country, came back to build a home, to rear his children, and to practice his profession. It is somewhat difficult to realize that the site he selected for a home, far from the city's madding crowds, is now part of a closely-built section which extends several miles farther north. At that time stage-coaches ran but three days in the week to the point which now corresponds to Forty-second Street and Broadway. Hamilton, after some search, found a tract to his liking in the neighborhood now bounded by St. Nicholas Avenue and Tenth Avenue and extending from 141st to 145th Streets. The whole of this area and more, extending on the west to the Hudson River, was acquired in one piece. The Albany and Bloomingdale Road, which has long since disappeared, passed diagonally through it, dividing the part on which the house stood from

the farm on the easterly side. It is interesting to read the brief, business-like letter to Ebenezer Stevens, a prosperous merchant who had a country place in the vicinity, in which Hamilton stated the terms he was willing to offer for the property[1]:

"25th of October, 1799.

"If the owner of the ground adjoining you will take Eight Hundred pounds (£800) for sixteen acres including a parcel of the woodland, and lying on the water the whole breadth, you will oblige me by concluding the bargain with him, and I will pay the money as soon as a good title shall appear. If he will not sell a part at this rate, I request you to ascertain whether he will take Thirty pounds an acre for the whole tract and let me know.

"If I like it, after another view of the premises, I shall probably take the whole at this price. But I can only pay one-half down, a quarter in six months and the remaining quarter in a twelve month. He shall be satisfied on the score of security if he desires.

"Yrs with regard,

"A. Hamilton."

It was from this home that Hamilton went forth on the fateful morning of Wednesday, July 11, 1804, to the duel with Aaron Burr; but his death occurred, after he was brought back across the river, in the city house of his friend William Bayard, situated at 82 Jane Street, which has long since disappeared.

It was the first President from New York, Van Buren, who contributed somewhat perhaps to the financial supremacy of the city by securing the adoption of the sub-Treasury system of dealing with the public funds. The

[1] This letter and the essential facts are taken from Dr. Allan McLane Hamilton's *Intimate Life of Alexander Hamilton*, Scribners, 1910, pp. 336–339.

contest between Jackson and the second Bank of the United States was followed by the panic of 1837, which left the business and finances of the country in such a heap of ruins that an extra session of Congress was called by Van Buren to deal with the situation. In a long special message of September 4, 1837, he pointed out that it was not possible to carry out the authority given by Congress in the preceding year, — to discontinue the use of such banks as depositories as should at any time refuse to redeem their notes in specie, and to substitute other banks.

The general and almost simultaneous suspension of specie payments, Van Buren declared, "rendered the performance of this duty imperative in respect to those which had been selected under the act, and made it at the same time impracticable to employ the requisite number of others upon the prescribed conditions." The Treasury was still further embarrassed by another provision of law, providing that it should satisfy all demands in specie or its equivalent, and prohibiting the offer of any bank note not convertible on the spot into gold or silver at the will of the holder. To remedy these conditions Van Buren recommended that the government should create an independent Treasury to take care of its own funds, and that it should collect its own revenue and make its own disbursements. A bill was introduced into the Senate on September 14, 1837, which after being considerably amended became law on July 4, 1840. The sweeping victory of the Whigs in the next elections caused the repeal of the independent Treasury law August 13, 1841, and it is probable that if President William Henry Harrison had lived, a third United States Bank would have been established.[1]

The Democrats were again returned to power in 1844 and a new measure for creating the independent Treasury

[1] Dewey, *Financial History of the United States*, New York, 1903, p. 240.

A. BARTON HEPBURN

Banker [illegible], Chase National Bank, New York City; President Chase National Bank, N. Y., [illegible] 1892; President Chase National Bank, [illegible] A. B. [illegible] Chase National Bank, [illegible] 1894; President, [illegible] 1899; President Chase National Bank, [illegible] 1903; President Chase National Bank, [illegible] 1904; President, [illegible] 1909; President Chase National Bank, [illegible] 1910; President Chase National Bank, [illegible] 1911; President Chase National Bank, [illegible] 1912; President Chase National Bank, [illegible] 1913; President Chase National Bank, [illegible] 1914; President Chase National Bank, [illegible]

was enacted in August, 1846, in almost the same terms as in the act of 1840. Treasury notes, however, were added to gold and silver among the classes of currency receivable for public dues. Provision was made for vaults and safes in the Treasury Building at Washington, at the mints, and at the custom houses. The principal centers of deposit were to be New York, Philadelphia, Washington, Charlestown, New Orleans, and St. Louis. The new system naturally began its career with the opposition of the banks, and inadequate provision for the care of funds of disbursing officers scattered throughout the country led to abuses in the loaning of public money by these officers for their own profit. These evils were partially remedied by increasing the number of depositories and by giving authority to disbursing officers to make payments by Treasury drafts. The system was a natural consequence of the uncertainty and abuses of ill-regulated banking, and while serving a useful purpose in guarding against these evils, led to arbitrary changes in the stock of money in circulation, which have imposed unusual obligations and functions upon nearly every succeeding Secretary of the Treasury, especially in times of panic.

In the absence of adequate revenue and of friendly coöperation with the banks, Treasury management was not brilliant in the years immediately preceding the Civil War. The result of the elections in the autumn of 1860 gave a severe shock to credit, both public and private; Southern banks withdrew their balances in the North; and loans were contracted. President Buchanan obtained authority by the act of December 17, 1860, to sell Treasury notes at such rates of interest as might be offered by responsible bidders, and was compelled on a large part to pay from 10 to 12 per cent. With the beginning of the year 1861, although secession was becoming an accomplished fact, the appointment of

a New York man, John A. Dix, as Secretary of the Treasury, with other changes in the Cabinet, tended to restore some degree of public confidence, and resulted in more resolute measures to stem the tide of financial demands which set in with the outbreak of civil war.[1]

Upon the bankers of New York fell most of the burden of providing funds for carrying on the war. Had their advice been followed from the outset, a very different system of finance would have been pursued from that adopted by Secretary Chase. When the Secretary stubbornly refused, however, to accept their views, the bankers, although they foresaw suspension of specie payments and the decline of public credit, patriotically provided the funds as rapidly as possible under the policy which Mr. Chase laid down.

When the war broke out, notes of State banks formed a large part of the circulating medium, but they were not accepted in payments to the government, and the aid of the bankers was not sought in making transfers, in keeping public funds, or in placing loans. This, at least, was the theory of the independent Treasury, although, in fact, the absence of adequate depositories still led many officers to deposit their funds temporarily in the banks at their own risk.

The government was compelled almost at the outset to abandon the idea that it could do without the help of the banks. It was obvious that the system of placing small loans by public subscription, which had been employed during the administration of President Buchanan, could not be relied upon for obtaining great sums quickly. They could be obtained only from the banks, which in the nature of things had the keeping of the transferable capital of the country. Secretary Chase held a conference in New York on August 9, 1861, with representative bankers of New York, Philadelphia, and Boston. They agreed to advance

[1] Dewey, *Financial History of the United States*, New York, 1903, p. 272.

to the Government $150,000,000 in gold, to be secured by three-year notes bearing interest at 7.30 per cent., to be reimbursed as the proceeds of the sale of bonds were covered into the Treasury. This union of the banks of what were then the three chief cities of the country in support of the public credit was one of the most important events of the war and committed the conservative business element conclusively to the side of the Union and the policy of coercion of the seceded States. Had the bankers of the North been niggardly or reluctant in aiding the government, the problem of President Lincoln in dealing with the seceded States would have been even more difficult than it proved in fact. The banks of the three big Eastern cities had an aggregate capital of $120,000,000, a circulation of $16,964,749, deposits of $125,617,207, and coin reserves of $63,165,039, the latter being equal to 45 per cent. of demand liabilities. They had already made an agreement in November, 1860, when secession compelled them to contract their business and prepare for a period of stress, for issuing clearing-house certificates and making the specie of all the banks available as a common fund.

Congress passed an act on August 5, 1861, relaxing the provisions of the sub-Treasury law so far as to permit the Secretary of the Treasury to deposit any money obtained from loans in such solvent specie-paying banks as he might select. The banks accepted this law as authority for the employment by the Treasury in its transactions of the ordinary means of commercial exchange bank notes, checks, and drafts. They recommended to the Secretary, therefore, that he should make use of the proceeds of the advances made by the banks by drawing checks and drafts upon the banks in favor of public creditors. They suggested that this would not only prove of great practical convenience, but would diminish the uneasiness and con-

sequent hoarding which would take place if the banks reduced their reserves by paying out their coin. Secretary Chase, to the surprise of nearly every financier, declared that the act of August 5th had no such meaning or intent and that he should require payment of the advances by the banks in coin. The subject was warmly discussed between the Secretary and the bankers, but the Secretary's position was unshaken and the banks yielded rather than break off negotiations so important to the maintenance of the public credit.

The bankers of New York objected earnestly to the issue of the new Treasury notes to circulate as money. They succeeded in persuading Mr. Chase to delay the issue for a time, but the Secretary did not long respect his assurances. The banks, faithful to their pledges, had begun to pay coin into the sub-Treasury at the rate of about $5,000,000 in every six days. This coin was disbursed by public officers, and through the channels of circulation found its way at first back into the banks, so that their specie had not been materially reduced after the payment of the second installment. If the Treasury notes had not been forced into circulation, this process of paying coin upon loans to the Government and receiving it back, when disbursed, through the deposits of contractors and others, might have gone on continuously and, with the assistance of the banks in the distribution of loans, the country might not have been driven to the suspension of specie payments.

But the issue of the Treasury notes shook confidence in the future of the currency, and after the banks had informed Secretary Chase that they could not receive the notes at par with coin, it was decided to suspend specie payments. The date of suspension was Monday, December 31, 1861. The managers of the associated banks of the East believed that this suspension would not have been necessary but

for the infusion into circulation of government paper which the Treasury had no means of redeeming in gold. The bankers pointed out that transactions to the amount of $3,000,000 were settled daily in New York through the Clearing House, without coin or even bank notes, and that the settlement of an additional $1,000,000 or $2,000,000 per day for the government could be easily effected by the same machinery.

In the matter of taxation as well as currency the bankers of New York were more far-sighted than the Secretary of the Treasury. The latter attempted to rely too much upon loans and too little upon the willingness of the country to bear increased taxation. At the special session of Congress in the summer of 1861, the recommendation of Mr. Chase was to raise only $80,000,000 by taxation and $240,000,000 by loans. Of the amount raised by taxation $65,000,000 was required for the ordinary expenses of the peace establishment and $9,000,000 for interest on the new debt. Several important bodies in the beginning of 1862 protested against restricting taxation within such narrow limits. When the House of Representatives passed a resolution on January 15, 1862, with only five dissenting votes, declaring in favor of an annual revenue of $150,000,000, its favorable influence was reflected in the advance of six per cent. bonds from 90 to 107. The New York Chamber of Commerce on April 24, 1862, adopted a memorial to Congress declaring that "the masses of the people are ready and desirous to contribute their quota to the ordinary and extraordinary revenues of the country" and that conditions demanded an annual revenue of at least $250,000,000.

These monitions of sound finance went unheeded, and upon a representative in Congress from the State of New York, the Hon. Elbridge G. Spaulding of Buffalo, was finally forced, by the irony of fate, the desperate expe-

dient of the creation of the greenback. The idea of issuing government paper to carry on the war had already been partially sanctioned by the issue of the demand notes, which contributed to the suspension of specie payments. It was suggested by Secretary Chase, in his report to Congress on December 9, 1861, that the issue of these notes might be extended to an amount equal to the average circulation of the country, and that the notes of the State banks might be forced out of circulation by a moderate tax. The Secretary strongly preferred, however, the system of substituting bank notes based upon bonds for the direct issue of paper currency by the government.

Events moved too fast, and the necessities of the government were too urgent to await the enactment and execution of a plan for bringing the banks of the country promptly into a new bank-note system. In the House of Representatives the chairmanship of the Committee on Ways and Means was held by Thaddeus Stevens, but Mr. Spaulding was chairman of a sub-committee on the national currency bill and other means for carrying on the war. With him were associated Samuel Hooper of Massachusetts and Erastus Corning of New York. This sub-committee proceeded promptly to consider the report of Secretary Chase with a view to determining the best measure for meeting existing requirements. The Secretary was not yet ready to recommend the issue of legal-tender government paper. After resuming the arguments for and against such an issue, he said in his annual report:

"The hazard of panics, precipitating demands for coin, concentrated on a few points and a single fund; the risk of a depreciated, and depreciating, and finally worthless paper money; the immeasurable evils of dishonored public faith and national bankruptcy: all these are possible consequences of the adoption of a system of government circula-

tion. It may be said, and perhaps truly, that they are less deplorable than those of an irredeemable bank circulation. Without entering into that comparison, the Secretary contents himself with observing that, in his judgment, those possible disasters so far outweigh the probable benefits of the plan, that he feels himself compelled to forebear recommending its adoption."

In accordance with these views, Mr. Spaulding set about the preparation of a currency bill which was to permit the State banks to issue notes secured by government bonds. On December 24th he wrote a letter to Mr. Corning, his New York associate, who was then at Albany, requesting him to forward a copy of the New York Free Banking Law of 1838, for the use of the committee. Mr. Corning complied with this request, but expressed his own opinion in the sentence, " This matter, as recommended by Secretary Chase, will not, in my judgment, meet the approval of our State; hence I think much care should be had in drawing up the bill."[1]

Mr. Hooper rendered assistance in perfecting the bill, which was completed soon after Christmas. Mr. Spaulding had come to the conclusion, however, that it could not be passed and made available quickly enough to meet the needs of the government. He therefore drafted a section providing for the issue of legal-tender Treasury notes, which he intended at first to make a section of the bank bill. This he introduced as a separate measure, in the following terms:

"That for temporary purposes, and until the circulating notes authorized by this act shall be issued and put in circulation by corporations and associations to the aggregate amount of $100,000,000, the Secretary of the Treasury be,

[1] Spaulding, *History of the Legal Tender Paper Money Issued during the Rebellion*, p. 12.

and he is hereby, authorized to issue $50,000,000 of Treasury notes on the faith of the United States, payable on demand, without specifying any place of payment, and of such denominations as he may deem expedient, not less than $5 each, which shall be receivable for all debts and demands due to the United States, and for all salaries, dues, debts, and demands, owing by the United States to individuals, corporations, and associations within the United States; and such Treasury notes shall also be a legal tender in payment of all debts, public or private, within the United States, and shall be exchanged at any time at their par value, the same as coin, at the Treasury of the United States, and the offices of Assistant Treasurers in New York, Boston, Philadelphia, St. Louis, and Cincinnati, for any of the coupon or registered bonds which the Secretary of the Treasury is now, or may hereafter be, authorized to issue; and such Treasury notes may be reissued, from time to time, as the exigencies of the public service may require. Such Treasury notes shall be signed by the Treasurer of the United States, or by some officer of the Treasury Department designated by the Secretary of the Treasury, and shall be countersigned by the Register of the Treasury, or by some officer of the Treasury Department designated by the Secretary of the Treasury for the Register. And all the provisions of an act entitled 'An act to authorize the issue of Treasury notes, approved the 23d day of December, 1857,' so far as the same can be applied to the provisions of this section, and not inconsistent therewith, are hereby revived and reënacted."

Grave doubts were expressed in many quarters as to the constitutionality and economic soundness of the measure. The leading New York papers generally opposed making the notes legal tender, and a committee from the banks of New York, Philadelphia, and Boston hurried to Washington

John Conflin

JOHN CLAFLIN

Merchant, born in Brooklyn, July 24, 1850, son Horace Brigham and Aynes (Sanger) Claflin; graduated College City of New York, 1869; married in Monterey, Cal., June 27, 1890, Elizabeth Stewart Dunn. Entered drygoods house of H. B. Claflin & Co. established by his father in 1843, as clerk, October, 1870; became partner, 1873; became head of the house on death of father, 1885, organized business as a corporation, The H. B. Claflin Co., June, 1890, and has since been its president; house has been, from end of Civil War, largest in wholesale drygoods business in New York City. Has been an extensive traveler in the United States, Mexico, South America, Europe, and Asia; made notable trip in winter of 1877, starting from Peruvian coast of the Pacific Ocean at lat. 10° S., and with single white companion, crossed South American Continent, reaching the Atlantic at mouth of Amazon. Is director in many financial institutions; president of the United Drygoods Companies, and president of the New York Chamber of Commerce.

to prevent the passage of the bill. The New York delegates were Messrs. Coe of the American Exchange Bank, Vermilye of the Merchants' Bank, Martin of the Ocean Bank, and Gallatin of the National Bank. An important conference was held on Saturday afternoon, January 11, 1862, in the office of the Secretary of the Treasury, at which the members of the Finance Committee of the Senate and of the House Committee on Ways and Means were invited to be present. The principal speech against making the notes legal tender was made by James Gallatin, lineal descendant of the great Secretary of the Treasury who had reduced the debt and maintained the public credit during the administration of Jefferson and the early years of Madison. The citizens' committee, on behalf of the bankers of the three leading cities and members from boards of trade associated with them, proposed a substitute plan, for raising at once $125,000,000 by other taxes than the customs; the issue of $100,000,000 in two-year Treasury notes, to be receivable for public dues; the suspension of the sub-Treasury act; the issue of six per cent. 20-year bonds, without restriction as to the price at which they might be sold by the Secretary of the Treasury; and temporary loans upon the security of the bonds.

These recommendations were objected to by Secretary Chase, who was present, by Mr. Hooper, and by others. Mr. Spaulding "objected to any and every form of 'shinning' by government through Wall or State Streets to begin with; objected to the knocking down of government stocks to 75 or 60 cents on the dollar, the inevitable result of throwing a new and large loan on the market, *without limitation as to price;* claimed for Treasury notes as much virtue of par value as the notes of banks which have suspended specie payments," and finished with "firmly refusing to assent to any scheme which should permit a

speculation by brokers, bankers, and others in the government securities."[1]

The bank delegates and others remained for several days in Washington, consulting with Secretary Chase, and finally reached an agreement with him which was understood to make the issue of legal-tender demand notes unnecessary. The committee of the Senate and House, however, did not give their assent to this agreement, because it was not deemed by them adequate to the crisis. A majority of the Committee on Ways and Means adhered to the legal-tender bill. They hesitated to pass it, however, without the approval of the Secretary of the Treasury, which had been withheld in his annual report. Secretary Chase was permitted to suggest several amendments, and finally, in a letter to Mr. Spaulding of January 22, 1862, concluded as follows:

"Regretting exceedingly that it is found necessary to resort to the measure of making fundable notes of the United States a legal tender, but heartily desiring to coöperate with the Committee in all measures to meet existing necessities in the mode most useful and least hurtful to general interest, I remain, with great respect,

"Very sincerely yours,

"S. P. Chase."

In spite of the protests of the financial interests, the bill was reported favorably to the House, and called up for discussion on January 28, 1862. A letter was read on Monday, February 3d, still further committing the Secretary of the Treasury to the bill, in the following terms[2]:

"It is true that I came with reluctance to the conclusion that the legal-tender clause is a necessity, but I came to it decidedly, and I support it earnestly. I do not hesitate

[1] Report in *New York Tribune*, January 13, 1862, quoted by Spaulding, p. 21.

[2] Spaulding, p. 59.

when I have made up my mind, however much regret I may feel over the necessity of the conclusion to which I come. . . . Immediate action is of great importance. The Treasury is nearly empty. I have been obliged to draw for the last installment of the November loan; so soon as it is paid, I fear the banks generally will refuse to receive the United States notes. You will see the necessity of urging the bill through without more delay."

The bill passed the House on February 6th and passed the Senate, after an exciting debate, on Thursday, February 12,1862. The vote in the Senate was 23 in the affirmative and 21 in the negative. It was in vain that Preston King, Senator from New York, moved to strike out the legal-tender clause and declared himself decidedly against the measure. Some amendments were made in the Senate, however, looking towards adherence to the policy of paying interest on the public debt in coin and authorizing the sale of bonds at the market price. Against these amendments, when the bill came back to the House, Mr. Spaulding set his face, but the voice of another New Yorker, Theodore M. Pomeroy of Cayuga, was raised vigorously in their favor. "We cannot," he declared, "make Treasury notes money until we can change by act of Congress a promise into a performance, and Almighty power alone can do that." His view prevailed to the extent that payment of interest on the debt in coin was agreed to, 88 to 56, and was retained, with some modifications, in the draft which became law. Among the yeas on this important amendment appear the names of Roscoe Conkling, Mr. Corning, Mr. Pomeroy, and William A. Wheeler, afterwards Vice-President of the United States. It was indeed upon the motion of Mr. Conkling, then serving his second term in the House as a young man of thirty-two, that the yeas and nays were ordered. The bill became law on February 25,1862.

The government, thus committed to the issue of irredeemable legal-tender paper, did not long keep the promise made in the debate—that the amount should be strictly limited. Having once entered upon the slippery path, the descent became as easy as the fabled slopes of Avernus, and the country soon found itself with a currency depreciated at its low point to about 40 cents on the dollar, and marketing its securities for the same depreciated currency. The price of gold advanced, with only occasional interruptions, until in 1864 it touched 285. Wholesale prices of nearly all articles mounted upward with the gold premium, and retail prices in many cases advanced still more, increasing the paper cost of every contract for carrying on the war. A computation of the proceeds of $2,565,233,591 in currency received from the sale of public obligations during the forty-five months ending September 30, 1865, put the gold value received at $1,705,347,632, representing a loss to the government by its depressed credit of $860,000,000.[1]

Important as was the part played by Mr. Spaulding in the adoption of this policy, it is possible that a similar policy would have been adopted in any event, in view of the straits in which the government was placed and the rudimentary knowledge of financial devices which then existed at Washington. Mr. Spaulding himself declares, on the first page of his book giving an account of the legislation, that:

"The fundable legal-tender currency was the most available form of credit which the government could use in crushing the rebellion. It was at once a *loan* to the government without interest, and a *national currency*, which was so much needed for disbursement in small sums during

[1] Conant, *History of Modern Banks of Issue*, New York, G. P. Putnam's Sons, p. 401.

the pressing exigencies of the war. It was indispensably necessary, and a most powerful instrumentality in saving the government and maintaining the national unity. Experience has proved that, notwithstanding it was a forced loan, the end justified the means, and that no parties were materially injured by being compelled to receive this currency, so long as they could fund it at any time in six per cent. 20-year bonds."

While thus resolutely defending the issue of the greenbacks under the conditions of the time, Mr. Spaulding did not believe in them as a permanent currency. In an address at the Centennial Exposition in Philadelphia in 1876, he said[1]:

"Unfortunately, eleven years after the close of the war, the temporary 'war currency' issued in the form of greenbacks, still lingers as an evil element, and is declared by law to be 'lawful money,' so that the banks can and do redeem their circulating notes in this depreciated greenback currency. This is practically no redemption at all."

In a preface to his *Financial History of the War*, written in 1875, Mr. Spaulding went further and declared that the legal tender act should be repealed, which would "leave the business of free banking where it belongs, open to all citizens, to be carried on upon a gold basis, under proper legislative restrictions."

The numerous issues of bonds which the government put forth to meet the expenses of the war were always generously subscribed for by New York bankers up to the limit of their resources. Conspicuous in services rendered in this respect were the foreign houses, like August Belmont & Company, the representative of the Rothschilds; the Seligmans and Speyers; Morton, Bliss & Company; and

[1] John J. Knox, *History of Banking in the United States*, New York, Bradford Rhodes & Company, 1900, p. 293.

Jay Cooke & Company. The latter, when all other resources had failed, inaugurated the system of inviting popular subscriptions for the bonds through every postmaster throughout the United States. They also succeeded in the rather venturesome policy of manipulating quotations when it was desired to make a broad market for new bonds. Of the character of these operations an interesting glimpse is afforded by Jay Cooke's biographer[1]:

"Once this policy had been undertaken there was almost no end to the need of intervention to serve some object, important, if not vital, to the management of the Treasury Department, and in these movements there was still none who had his skill and facility. The necessity would continue so long as the government had funding operations in hand, and there were two currencies, one founded upon the value of gold and the other of the changing greenback. Indeed Mr. Cooke had scarcely a day of freedom from responsibility for the behavior of the market from the panicky times in March, 1865, induced by the fall of the Confederacy, until the end of the year. On August 18th Fisk and Hatch told Mr. Cooke that their purchases of 7–30s for that day for government account had been nearly $1,500,000, all at 99¼. They had got nearly the same amount the day before at 99. The surplus which could not be sold in the course of the operations was turned over to Assistant Treasurer Van Dyck (who had been appointed to succeed John A. Stewart), to be held for a more favorable market. The next day the price was again advanced and Fisk & Hatch wrote that 'nobody smelt the rat,' 'the strength of the great 7–30 loan' being 'the subject of general comment and congratulation.'

"Once more the editors were 'primed' and the news-

[1] *Jay Cooke; Financier of the Civil War*, by Ellis Paxson Oberholtzer, Philadelphia, 1907, vol. ii., pp. 2–3.

ISIDOR STRAUS

Merchant and statesman; born in the Palatinate of Bavaria, February 6, 1845; came to the United States in 1854, with his mother, and settled in Talbotton, Ga.; educated at Collinsworth (Ga.) Institute, and was preparing to enter the Military Academy at West Point when he was prevented by the outbreak of the Civil War. Mr. Straus went to New York in 1865, where, with his father, he organized the firm of L. Straus & Son. Entered the firm of R. H. Macy & Co. in 1888, and of Abraham Straus, of Brooklyn, in 1893. Had an important interview with President Cleveland in the summer of 1893 on the necessity for an extra session of Congress to repeal the Sherman silver purchase law. Was elected to Congress as a Democrat at a special election on January 30, 1894. Became intimate friend of William L. Wilson, the Democratic leader, and aided him greatly in the contest for sound money and the Wilson tariff law. Was long an active member of the Chamber of Commerce, serving as vice-president, and on important committees, including the special committee on currency reform in 1906, which made the first formal recommendation for a central bank. Mr. Straus was a director in various banks, trust companies, and charitable institutions; president of the Educational Alliance, and vice-president of the J. Hood Wright Memorial Hospital. He went down bravely on the *Titanic* on April 15, 1912, Mrs. Straus refusing to leave him, both preferring to end their lives together.

papers, practically in unison, proclaimed the great worth of 'governments.' Secretary McCulloch had offered to take $5,000,000 and on August 21st $3,275,000 had been delivered to Van Dyck. Fisk and Hatch were anxious that the authority should be extended to ten or fifteen millions. Jay Cooke, acting through his brother Henry at Washington, persuaded Mr. McCulloch to agree to an extension to seven millions, which led to a long statement by Fisk & Hatch that to take proper care of the market, correct the evils of a too rapid absorption of the loan, remove it from the hands of large holders whose demands were urgent, and place it with legitimate investors, authority should be at hand to sell at least ten or twenty millions. They (Fisk & Hatch) could make more money dealing in seven-thirties at the low price, but they did not wish to see the loan 'buffeted about in that way.' On this letter Jay Cooke wrote: 'These are my sentiments also,' and it was sent to Henry Cooke, who took it to Mr. McCulloch. The result of the interview was that the Secretary left 'the whole matter' to Jay Cooke's 'discretion.'"

When the time came after the war for restoring order to the finances of the country, the bankers of New York naturally took the lead in urging the resumption of specie payments upon a gold basis. During fifteen years of agitation, in which the South and West repeatedly returned to Congress great majorities for paper inflation and the free coinage of silver, the business community of New York, without distinction of party, held up the hands of the President and the Secretary of the Treasury, who could usually be relied upon to support the principles of sound money. How closely the government and the business community worked together, even when differences of opinion arose, is graphically set forth in Mr. Hackett's memoir of Secretary Richardson. It was on Saturday, September 20,

1873, only two days after the Jay Cooke suspension, that President Grant telegraphed the Secretary from Long Branch to meet him the next morning in New York at the Fifth Avenue Hotel. The scene is thus described by Mr. Hackett[1]:

"Arrangements had been made for the interview with the President on the part of the bankers and business men. Ten o'clock was fixed upon as the hour. They had come to the hotel in great numbers. It was Sunday, but the hotel was crowded, and so were the streets in the neighborhood. A prominent Republican Senator, one of the foremost statesmen of the country, was there, as a guest of the hotel, and to judge from competent testimony he was the most frightened man on the premises. He seemed to be bewildered, and really knew not what to do.

"Reverdy Johnson was also present, consulted by the bankers, whom he furnished with a legal opinion, taking the curious ground that under the law the President and Secretary had no power to issue the greenbacks, but that if he were in the President's place he would feel it his duty to issue them; and that in his opinion the country would sustain the President in so doing.

"At the appointed hour, the President and the Secretary took their seats at a table in one of the large parlors, and the bankers, with others, came in. Among those present were Commodore Vanderbilt, Henry Clews, the Seligmans, George P. Opdycke, Isaac H. Bailey, William Orton of the Western Union Telegraph Company, William L. Scott, Robert Lenox Kennedy, H. B. Claflin and Mr. Vail, of the Bank of Commerce.

"The excitement ran high. Many speeches were made, some of them almost violent in tone, calling upon the Presi-

[1] *A Sketch of the Life and Public Services of William Adams Richardson*, by Frank Warren Hackett, Washington, 1898, pp. 93–95.

dent at once to issue the whole forty-four millions reserve. The speakers said if the panic were not stopped, we should see the worst mob in New York the next day that had ever been known in that city; that already the streets were full of men, and in the morning the situation would be worse.

"It seemed to have occurred to no one to point out how the reserve could be issued, or to designate the manner in which it could be put into circulation. The President sat perfectly calm. At last he said that anything to be submitted to him must be in writing, so that he could know exactly what they thought should be done."

The request for the issue of the entire greenback reserve was refused, upon the ground that there was no law which permitted the President to lend government money; but public funds were disbursed for the purchase of $12,000,000 in bonds, and clearing-house certificates were issued by the banks. During the entire period from March, 1873, to January, 1874, about $26,000,000 was expended in this manner.

When finally the Resumption Act of 1875 was enacted, requiring the redemption of government notes in gold at par on and after January 1, 1879, the New York banks took every measure to aid the government in avoiding a drain upon the gold fund which Secretary Sherman by the sale of bonds had laboriously built up. The banks of the country held more than $125,000,000 in government notes, of which nearly one third was in New York City. If the banks had acted upon a narrow policy, they could have greatly reduced the gold fund by the presentation of these notes. On the contrary, a committee was appointed to confer with Secretary Sherman to agree upon a common course of action to sustain the public credit. The Assistant Treasurer at New York was invited to become a member of the Clearing House, and balances between the banks and the Treasury

were to be settled through the Clearing House. The banks decided voluntarily to decline receiving gold as a special deposit, to abolish special exchanges of gold checks at the Clearing House, and to receive and pay balances without discriminating between gold and legal-tender notes. This action dissipated all serious fear of the success of resumption, and on December 17, 1878—two weeks before the date legally set—gold sold at par in the gold room of the New York Stock Exchange. The banks, in the language of Mr. Bolles, at the beginning of the war, "parted with their gold to aid the government, and now, when resumption was accomplished, they were content to take whatever it desired to give."[1]

When the necessary measures for refunding the public debt at a reduced rate of interest were being carried out in London by representatives of most of the large houses of New York, it was represented repeatedly to the President and Secretary of the Treasury that these negotiations must fail if the United States took a step toward free silver and away from the gold standard. When the two Houses of Congress (in February, 1878) passed, over the veto of President Hayes, the Bland Silver Act, requiring a fixed amount of silver coinage per month, the syndicate handling the loan gave notice that they would be unable to carry out the provisions of the agreement which had been proposed, but they were still ready to negotiate the bonds of the government abroad under the most favorable conditions which could be obtained in view of the blow struck by Congress at the public credit.

It was not only under a New York President, Chester A. Arthur, but under a New York Secretary of the Treasury, Charles J. Folger, that recognition was finally given by Congress to the $100,000,000 limit for the gold reserve held

[1] *Financial History of the United States*, vol. iii., p. 301.

for the redemption of the greenbacks. In the act of July 12, 1882, extending the charters of national banks, provision was made for the issue of gold certificates against deposits of gold coin with the Treasury and it was provided that the issue of such certificates should be suspended whenever the gold held against outstanding United States notes should fall below $100,000,000.[1] These certificates, being issued at first chiefly in large denominations, were employed to a considerable extent by the banks in advancing funds to their clients for the payment of customs duties, and it was the drying-up of this stream of gold and the substitution of silver certificates which sounded the alarm as to the weakened condition of the Treasury in 1892 and led a little later to the automatic application of the law against the issue of gold certificates.[2]

In the act of 1882 was contained another provision, probably not very acceptable to Secretary Folger, that no national bank should be a member of any clearing house in which silver certificates were not received in settlement of clearing-house balances. This provision was directed against a rule of the New York Clearing House, which aimed to protect the gold standard by discriminating against silver as a money of ultimate settlement. The New York banks felt that, as custodians of the ultimate banking reserve of the country and the channel through which balances with foreign countries were settled on the gold basis, they could not allow their vaults to become congested with the new silver dollars. To permit such an occurrence would send gold to a premium and send the country to the silver standard.[3]

[1] Cf. *The Contest for Sound Money*, A. Barton Hepburn, New York, 1903, p. 243.

[2] *Vide* Conant, *A History of Modern Banks of Issue*, Fourth Edition, New York, 1909, pp. 687–688.

[3] *Cf.* the admirable discussion by A. D. Noyes, *Forty Years of American Finance*, New York, 1909, pp. 77–81.

The maintenance of gold payments was several times threatened during the last two decades of the nineteenth century by the agitation for the free coinage of silver. On all occasions the bankers of New York stood firmly by the government and several times parted with gold voluntarily in order to strengthen the reserve held in the Treasury against the greenbacks. When a Democratic administration succeeded a long line of Republican Presidents who had completed the work of the Civil War, the bankers of New York without distinction of party stood as resolutely by President Cleveland in his monetary policy as they had stood by Presidents Grant, Hayes, Garfield, and Arthur in theirs. It was the resolute stand of Mr. Cleveland for the gold standard and in opposition to free coinage which drew the business community of New York so largely to his support and secured his renomination and election in 1892. It was by the skillful management of William C. Whitney as a representative of this sentiment that opposition was smoothed away in the Democratic National Convention of that year and party leaders were convinced that Mr. Cleveland was the one man, with whom they could appeal with confidence to the American people.

When the country began to pay the penalty of many years of incompetent financiering in 1893, New York bankers formed a combination, and within a few days, with the help of leading members of the profession in Boston, Baltimore, Chicago, and Philadelphia, increased the government gold reserve by $6,500,000. But such measures were only palliatives. The enactment of the Sherman silver purchase law of June 14, 1890, against which Eastern bankers and business men were all but unanimous in their opposition, soon invoked a crisis. Gold exports began in large volume the month the law was approved. The theory of Gresham's law, that the departure of gold denotes the presence of a

poorer currency behind the gold, expelling it from the country, was verified by the manner in which the gold went out as the new Treasury notes were pumped into the circulation at the rate of $4,500,000 per month. The Treasury notes issued under the law up to June 30, 1893, were $147,190,227; the net gold exports from the United States from June 30, 1890, to June 30, 1893, were $156,132,423; and the reduction of the aggregate gold in the Treasury during the same period was $133,156,991. Other causes than the mere addition of the notes to the circulating medium doubtless contributed to the expulsion of gold, but the coincidence of these three items—the loss of gold by the Treasury, its export from the United States, and the issues of notes—is at least striking.

Commercial failures began to multiply with alarming rapidity; the banks, warned by the Baring failure in London, began to curtail their loans and strengthen their specie holdings; and weak banks throughout the West began to suspend payments. When upon the heels of these conditions came the suspension of silver coinage in British India and the sudden drop in the price of silver by 10d. within three weeks, the injurious results of the silver policy became apparent to the country. The Treasury was almost empty and President Cleveland received the applause of the business community when he called an extra session of Congress for August 7th. It was this special session which reversed and ended the policy of unnecessary purchases of silver for coinage purposes, and marked the beginning of the great contest for sound money which resulted in 1900 in the enactment of the Gold Standard Law and in 1908 in the creation of the National Monetary Commission for the reform of the banking system. In this long, continuous struggle, men of New York, in Congress and the Cabinet as well as at home, bore a conspicuous and loyal part.

Foremost among these men was the man twice chosen President of the United States—Grover Cleveland. Mr. Cleveland showed an independence in expressing his antagonism to free silver or to increased issues of full legal-tender silver dollars which even to some of his friends often seemed so audacious as to imperil his political future. One of his first acts, before taking office in 1885, was to write a vigorous letter to the Democratic members of Congress, urging that the further purchase of silver and the coinage of silver dollars under the Bland law should be brought to an end. On every occasion when an issue was raised Mr. Cleveland was frank to express his opposition to silver inflation. It mattered not whether it was on the eve of an important convention, where his opposition might adversely affect his chances for votes; it mattered not how earnestly even his sound-money friends urged that it would be politic to keep quiet for the time being.

In February, 1891, almost on the eve of the contest for delegates to the National Convention of 1892, Mr. Cleveland wrote a vigorous letter expressing his hostility to free silver. Then, after his election in 1892, came the crisis of 1893, the special session of Congress to repeal the silver purchase law, and the long, bitter fight which is elsewhere referred to. It is significant of Mr. Cleveland's firmness in this contest, that when Senator Gorman of Maryland and other sound-money leaders were willing to yield a little in order to accomplish the immediate passage of some sort of repeal bill, Mr. Cleveland put his foot down like a rock and refused to accept anything from Congress but the absolute, unconditional suspension of further purchases of silver for coinage into full legal-tender money.

Under such a chief it is not surprising that other New York men made honorable records as supporters of sound finance. Mr. Manning as Secretary of the Treasury from

John Murray Hutchison

JOHN MURRAY MITCHELL

Lawyer and member of Congress. Born at 60 West Ninth Street, New York City, March 18, 1858; graduated from Columbia College, 1877, with the degree of A.B.; although the youngest member of his class, was made valedictorian; completed a course in Columbia Law School in 1879, receiving the degree of LL.D.; was admitted to the bar immediately thereafter. Mr. Mitchell was nominated by acclamation for Congress as a Republican in 1894, in a district usually Democratic, and although defeated on the face of the returns, was seated on a recount by a vote in Congress of 162 to 39. He was reelected in 1896 and 1898, being a member of the Committee on Banking, where he rendered valuable service on the subcommittee of three which prepared the McCleary bill. Died May 31, 1905.

March 4, 1885, to his death in 1887, repeatedly urged upon Congress the suspension of further purchases of silver. His annual reports were as emphatic upon this subject as those of any of his Republican predecessors in the Treasury. Cordially supporting him with weighty judgment and clear voice was Conrad N. Jordan, then United States Treasurer, and under Mr. Cleveland's second administration, Assistant Treasurer at New York. Mr. Jordan probably gave greater prominence to the two offices which he held than any other man who has occupied them in many years.

After Mr. Manning had laid down his life under the pressure of his exacting duties, Mr. Charles S. Fairchild became Secretary of the Treasury. Formerly Attorney-General of New York and Assistant Secretary of the Treasury under Mr. Manning, Mr. Fairchild was far from being of the usual type of the active politician. He was a scholar, a philosopher, and a reformer. Having to deal with the great problem of an accumulating surplus, he distributed the money among the banks, in order to keep it at the command of commerce. For this he was vigorously assailed by Mr. James G. Blaine in the Presidential campaign of 1888, but Mr. Fairchild replied in a luminous speech, on the steps of the New York Sub-Treasury, in which he maintained that under the condition in which the Treasury was placed by the imposition of taxation beyond its needs he had taken the only feasible course to avert dangerous pressure in the money market.

In Congress the New York delegation of both parties could usually be relied upon to vote solidly against any proposition to increase the output of silver and in favor of strengthening the gold standard. While the Republicans, except for their unfortunate vote to enact the Sherman silver purchase law of 1890, were able usually

to give a larger and more constant number of votes than their opponents, the leading Democrats who were for the gold standard were conspicuous by their courageous opposition to a large element in their party. Among them none was more steadfast and energetic than General Charles Tracey, who for ten years represented the Albany district. A gentleman of wealth and culture, who had served in the Papal Guards when the Italians forced their way into Rome in 1870, General Tracey possessed that equanimity of temper and perfect fairness towards opponents which held their respect and friendship at the very moment when perhaps he might be standing out alone against a defined party policy. So determined was he that the party and Congress should not go on record for unsound financial legislation that he was almost constantly in his seat, watching even the reading of the journal and ordinary formal motions in order to guard against a trap. Many times his watchfulness was rewarded by checking some concession to silver on the part of the majority, or by drawing enough votes away from his own party to offset the silver defection in the ranks of the other party.

Supporting General Tracey and exercising an important influence upon party policy in Congress were several other New York Democrats. Governor Roswell P. Flower, during his short service in the House, was from his very position a sturdy supporter of sound money. Isidor Straus, the great New York merchant, was a close friend of William L. Wilson, the Democratic leader in the Fifty-third Congress, and influenced Mr. Wilson's clear mind in favor of the position which he constantly maintained, in support of President Cleveland and the stoppage of further purchases of silver.

In keeping back the great wave of silver inflation which carried Mr. Bryan on its crest in 1896 so near to the Presi-

dency of the United States, it goes without saying that the influence of the bankers and business men of New York, with their heavy contributions to the cause, was felt throughout the Union and had a large share in turning the scale in the doubtful States. There was, of course, never a doubt that New York would roll up the largest majority in her history against the party which declared for unsound finance. The great parade of merchants, brokers, clerks, and laborers a few days before election, in favor of McKinley and sound money, was perhaps the most remarkable demonstration ever held in New York, not only because in the ranks marched men with enormous interests at stake, who rarely took part in political demonstrations, but also because a large proportion of them, if not the majority, had previously voted against the party whose candidate they now supported.

Out of the election of President McKinley came the administration of another New Yorker at the head of the Treasury. Lyman J. Gage, although appointed from Chicago, where he had passed his mature years as the leading banker and financial authority of the West, was, nevertheless, born in the interior of New York, and learned his first lessons as a banker under the New York State banking system. It was perhaps his New York training which contributed something, apart from his native independence, to his outspoken declaration, soon after taking office in 1897, that it was his purpose to fasten the gold standard more firmly upon the country.

It was still the fashion with some of the politicians, even after the verdict of 1896 against free silver, to be mealy-mouthed in using the word "gold." Mr. Gage sounded the keynote of the new order of things. He rendered great services in putting the gold standard firmly upon the statute books and in educating the country to a sound

theory of banking. Again and again his annual reports recommended that the gold reserve should be segregated from the current funds of the Treasury, that the greenbacks should be payable specifically in gold, and that gold should be held, if necessary, for the redemption of the great mass of outstanding silver dollars. He had the fortune which does not always come to those who are in advance of their time, that a measure embodying nearly all these principles became a law and was put into operation under his administration. It was March 14, 1900, when President McKinley affixed his signature to the Gold Standard Act and it became possible for the United States to take its place in the ranks of nations whose obligations were payable in a fixed quantity of gold.

It was an original New Yorker also who came to the head of the Treasury, after the erratic five years of Leslie M. Shaw, and held the rudder firm during the crisis of 1907. This son of New York, George Bruce Cortelyou, was a product of the city schools and a striking example of what an American can accomplish by his own unaided abilities. Picked out as stenographer to President Cleveland for merit, made Private Secretary to President McKinley and successively the first head of the Department of Commerce and Labor, Chairman of the Republican National Committee, and in 1907 Secretary of the Treasury, Mr. Cortelyou rose on every occasion to the level of his duties and opportunities, and when the crisis of October, 1907, broke out, New York financiers knew that they could rely upon cool judgment and effective coöperation from the new head of the Treasury.

In the office of Comptroller of the Currency served strong men who eventually became New Yorkers, even if they were not at the time of their appointment residents of the State. Foremost among these was John J. Knox, Comp-

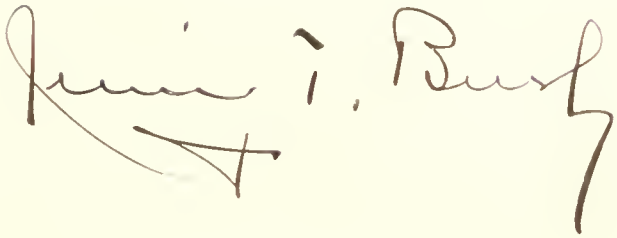
troller from 1872 to 1884, whose name was forever anathema among the silver men because he framed the careful revision of the statutes discontinuing the coinage of the silver dollar, which they were pleased to denominate "The Crime of 1873." To the constructive genius of Mr. Knox the country owes not merely the codification of the coinage laws, but many improvements in the administration of the National Banking Act. The successor of Mr. Knox was Mr. Henry W. Cannon, who was soon called to the presidency of the Chase National Bank, which he relinquished only when ill health followed his exacting labors. Then came Mr. A. Barton Hepburn, a native New Yorker, who had won his spurs as Superintendent of Banking in the State and as one of the national bank examiners. Mr. Hepburn was too valuable a man to remain long in government office, and after serving for a time as Vice-President of the National City Bank, he succeeded Mr. Cannon in 1905 as President of the Chase National Bank and ultimately became President of the Clearing House and the Chamber of Commerce. During all the years of his service in New York, however, Mr. Hepburn was an active worker for sound money. He was an officer of the Sound Money League, which contributed powerfully to the election of President McKinley and the enactment of the Gold Standard Law. Finally, when the battle had been won, he rendered an important service to the literature of finance by his work entitled *The Movement for Sound Money*. Mr. Hepburn's service as Comptroller ended in 1893, after which the place was held by three Western men for fifteen years, but finally the pendulum swung back to New York in the appointment in 1908 of Lawrence O. Murray, under whom many important advances were made in methods of bank examination and in the administration of the Comptroller's Office.

The battle which resulted in the enactment of the Gold

Standard Law of 1900 was initiated by Mr. Hugh H. Hanna of Indianapolis, but found always its strongest support in the business community of New York. It was from New York that Mr. Hanna took for members of the Monetary Commission Charles S. Fairchild, who had proved his mettle as Secretary of the Treasury, and Stuyvesant Fish, the broad-minded railroad man who had made the Illinois Central a part of the domestic life and progress of the Mississippi Valley. It was still another New Yorker, L. Carroll Root, who assisted in perfecting the report of the Monetary Commission, which remains to-day one of the most clear and forcible presentations of the monetary and banking problem in the United States.

When the work of this commission came before Congress, a New Yorker was one of a subcommittee of three who prepared the draft of a measure adapted to conditions in the House of Representatives for bringing order into the monetary and banking system. This man was John Murray Mitchell, a young lawyer of much strength of character, who in 1894 as a Republican carried a Democratic district for the first time in its history. Again elected in 1896 on the crest of the wave against free silver, Mr. Mitchell took a keen interest in putting into law what his city and State had decreed by such an overwhelming majority. In his handsome house at Nineteenth and I Streets, in Washington, graced by his young bride of a year, the three members of the subcommittee worked over the details of the McCleary bill, named for the chairman of the committee, which became one of the steps in the evolution of the Gold Standard Law of 1900.

The enactment of the law came finally through the appointment of a special committee, representing the Republicans of the House of Representatives, which met at Atlantic City in April, 1899. This committee was not made



IRVING T. BUSH

Capitalist and terminal expert; born in Ridgeway, Lenawee County, Mich., July 12, 1869; son of Rufus T. and Sara M. (Hall) Bush; educated at the Hill School, Pottstown, Va. President of the Bush Terminal Co., which has done much for solving the problem of freight congestion in New York; director of the Bush Terminal Co., Bush Land Co., Bush Terminal Railroad, and member advisory board of the Title Guarantee & Trust Co. Mr. Bush is a member of the Merchants' Association and the Chamber of Commerce and has taken an active part in the movement to secure the reform of the currency system, having been chairman of a committee of the Merchants' Association on this subject and an officer of the National Citizens' League for the promotion of a sound banking system. In pursuit of this work he has made several public addresses and appeared before committees of Congress. He is a member of the Union League, New York Yacht, Downtown Association, and other clubs.

up from members of the banking or coinage committees of the House, but of the representative leaders of the party. Among them appeared Sereno E. Payne, Chairman of the Committee on Ways and Means, representing one of those up-country districts of New York where the follies of paper and silver inflation had scarcely a mouthpiece.

It was from the labors of this committee, with those of the Senate Committee on Finance, that finally emerged the law of 1900, one of the most important acts in the financial history of the country. It is not necessary here to give the details of the act,except to say that it made gold unquestionably the standard of value in the United States, establishing a permanent gold reserve of $150,000,000 for the redemption of the greenbacks, and distinctly providing that this fund, if impaired, was to be restored by the prompt sale of bonds and was in no case to be applied to current expenditures, as had been done with the gold reserve during the trying period of 1894. The fact that the law was finally passed in a form satisfactory and definite in these respects was due very largely to the constant watchfulness of Mr. Hanna and the experts associated with him on the Indianapolis Committee. The passage of the act opened a new era in the history of the American money market and made it practicable to carry on exchange operations with European financial centers upon a much broader scale than had been possible while there was doubt whether New York was a free market for gold.

The enactment of the Gold Standard Law was regarded, however, by the banking interests of New York as only a step towards the final restoration of the currency to sound conditions. The Indianapolis Monetary Commission, the Sound Money League, and other organizations, did not relax their efforts to secure a change in the basis of bank-note circulation, which should give greater elasticity to the

currency and adapt it to the growing needs of commerce. Lyman J. Gage, as Secretary of the Treasury, strongly seconded in his annual reports the wishes of the business community. Many bills were introduced into Congress, and several reports were made looking to an improvement in the existing system. The prosperity of the country during the period from 1900 to 1905 diminished somewhat the pressure for new legislation. In the autumn of 1905, however, call rates for money in New York reached an altitude of 125 per cent. Mr. Jacob H. Schiff, a well-known international banker, introduced a resolution in the New York Chamber of Commerce, which was adopted at the December meeting, providing for the appointment of a special committee of the Chamber to frame a currency measure.[1] This committee, after many sessions and after conferences by one of the members with the heads of leading foreign banks, made a report which was adopted by the Chamber of Commerce on November 1, 1906.

This report constituted something of a landmark in the progress of monetary discussion by making the first recommendation coming from an important public body in favor of the principle of a central bank of issue. It was proposed that such a bank should be under the direct control of a body of governors, appointed, at least in part, by the President of the United States, and that it should perform most of the essential functions of note issue and rediscount possessed by similar institutions in Europe. At that time, public opinion in favor of a central bank was so restricted that an alternative plan was proposed by the Committee, for the issue of notes by the local banks upon their general assets, with the security of a safety fund.[2]

[1] The members of this committee were John Claflin, Frank A. Vanderlip, Isidor Straus, Dumont Clark, and Charles A. Conant.

[2] This narrative is based largely upon the summary of the measures taken to

Within a few days before the adoption of this report by the Chamber of Commerce, the Annual Convention of the American Bankers' Association created a new committee of fifteen members, to succeed previous committees on the subject, for the purpose of framing a currency measure and consulting with representatives of the Committee of the New York Chamber of Commerce and other bodies. This committee met in Washington in November, 1906, with the Hon. A. Barton Hepburn, President of the Chase National Bank of New York, as chairman. A plan was prepared which did not differ materially in principle from that of the New York Chamber of Commerce. A bill containing some of the features of this plan was favorably reported to the House of Representatives by the Hon. Charles N. Fowler, Chairman of the House Committee on Banking, who had long been an advocate of the currency reform.

At the Annual Convention of the American Bankers' Association held at Atlantic City in September, 1907, the report of this committee was indorsed by a large majority and the Committee was directed to continue its functions and to make such modifications in its plan as might seem desirable. Within a few weeks occurred the panic of October, 1907, the almost universal suspension of currency payments by the banks of the United States, and the natural rise of foreign exchange several points above gold parity. Interest was stimulated anew in the subject of a radical change in currency conditions, and a strong report was made to Congress by the Hon. W. Barret Ridgley, the Comptroller of the Currency, urging the principle of a central bank. The same method of meeting future panics was recommended by others who had made a special study of currency matters. In spite of the marked growth of the

secure currency reform given by Conant, *A History of Modern Banks of Issue*, New York, G. P. Putnam's Sons, 1909, pp. 437–447.

sentiment for central banking among those best informed on the subject, the project was so new to the majority of the people that it was not possible to secure immediate action of so radical a character in Congress. The necessity of some measure to avert another disgraceful suspension of currency payments in time of peace was so strongly impressed upon Congress, however, that a temporary measure was enacted, to expire on June 30, 1914, to permit special issues of currency by the banks in periods of stress.

In perfecting this emergency measure a member from New York, Mr. Edward B. Vreeland of Salamanca, took a leading part. Mr. Vreeland was not at the time Chairman of the Committee on Banking, but was given the position in the next Congress because of his active interest in promoting currency legislation and his tact in reconciling conflicting views. The bill which became law on May 30, 1908, was known as the Aldrich-Vreeland law, from Senator Aldrich of Rhode Island, Chairman of the Finance Committee, and Mr. Vreeland.

More worthy of consideration with a view to the future than its provisions for emergency currency were the final sections of the law of 1908, which authorized the appointment of a National Monetary Commission to report "what changes are necessary or desirable in the monetary system of the United States." This commission was made up of nine Senators and nine members of the House, Senator Aldrich and Mr. Vreeland being appointed the leading members. It has been largely from the reports of this commission, after unbiased investigations of European systems by its members, that the movement has gained such momentum for the establishment of a central bank of issue in the United States, having the capacity to coördinate the scattered banking units of the country into an efficient and mutually helpful body.

A W Noyes

ALEXANDER D. NOYES

Newspaper man, born in Montclair, N. J., December 14, 1862, son Charles H. and Jane R. (Dana) Noyes; A.B., Amherst, 1883, A.M., 1886. Was on city staff of New York *Tribune*, 1883–1884; editorial staff New York *Commercial Advertiser*, 1884–1891; financial editor New York *Evening Post* since 1891; trustee Evening Post Co., since 1902. Staff writer for *The Forum* since 1902; has given economic courses at Harvard University, University of Illinois, and New York University School of Commerce and Accounts. Member American Economic Association, Delta Upsilon Fraternity. Author of *Thirty Years of American Finance*, 1898; *Forty Years of American Finance*, 1909. Wrote: *The Free Coinage Catechism*, of which two million copies were circulated in 1896, and various other monographs on the financial question. In charge of editorial treatment of financial and economic subjects on the *Evening Post* and frequent contributor to the *Atlantic Monthly* and other magazines.

CHAPTER V

THE ERA OF INDUSTRIAL EXPANSION

By ALEXANDER D. NOYES

THE narrative of the events which followed the year 1896 makes a remarkable chapter in American finance. It is a chapter which, so far as regards its general tendencies, may possibly be said merely to have repeated history; but which, when judged by the dramatic change in the country's financial condition, and by the portentous character of the phenomena of the day, stands quite by itself. What we have to consider in our review of the five or six years which followed 1896 is such reversal of its position by the United States that, instead of the crippled industrial and financial state of 1894, with the country's principal industries declining, its great corporations drifting into bankruptcy, and its Government forced to borrow on usurious terms from Europe to maintain the public credit, there was presented, in the short space of half a dozen years, a community whose prosperity had become the wonder of the outside world; whose productive industries had developed such strength that the "American invasion" was discussed abroad as threatening ruin to our European competitors; whose corporations, when properly capitalized and managed, had grown so profitable that the

[1] This chapter is based in part on the author's *Forty Years of American Finance*, with the kind consent of the publishers, Messrs. G. P. Putnam's Sons.

strongest financial interests of the world were struggling to buy possession of them; whose banking-houses subscribed in important sums to new English and German Government loans, not to mention the public bond issues—$100,000,000 in all, within seven months—of Cuba, Japan, and Mexico. The startling ups and downs of fortune which have occurred in other communities are familiar. It is, however, the fact of a complete revolution in this country's position, not only as regards its own enterprises, but in its relation to other industrial states, which challenges attention, and it is this which we shall now examine.

It is a popular impression, with perhaps the majority of people, that industrial revival was immediate and continuous after the election of November, 1896, and to this belief have been partly traceable some singular Stock Exchange phenomena at subsequent elections. The belief is erroneous. That the defeat of the free-coinage demonstration, at what was apparently the psychological moment promising best for its success, was an event of great importance in the country's economic history, there can to-day be little doubt. The outcome of the election certainly contributed to the later return of full financial confidence and industrial activity. But confidence and industrial activity were by no means an immediate sequel. The rise in stocks, which had begun before election, lasted barely forty-eight hours after November 4th; then heavy realizing sales began, and in the sequel, financial depression prevailed again until far into 1897. During November, fully 700 manufacturing establishments resumed work or added to their working force. This was taken as reflecting reassurance in the business community over the election verdict on the currency. But the rush of activity ceased, in a month or two, as suddenly as it had begun. Instead of immediate and continuous revival, the first half of 1897 was a period of financial uncer-

tainty and depression. The first half of 1896 had been regarded as hard times; yet the checks drawn on all the country's banks in the similar period of 1897 showed decrease of $570,000,000, or 2¼ per cent. In the second quarter of 1897, liabilities involved in commercial failures throughout the country were $3,000,000 greater than in 1896. In July, 1896, there had been in blast in this country 191 iron foundries, with a weekly output of 180,500 tons, and with 815,000 tons piled up in their yards. This was then called a very unfavorable showing; yet in July, 1897, the number of furnaces in blast had further decreased 46, to 145, weekly output had fallen 16,000 tons, to 164,000, and the idle stock of iron had risen nearly 200,000 tons, to 1,004,000.

All such considerations were soon dismissed from the public mind of 1897, by a turn of events which repeated, on a larger scale and in an equally extraordinary way, the story of 1879. Although the Indian wheat crop failure of 1896 made a great hole in the world's supplies and caused an immediate rise in the price of wheat, nevertheless Europe itself raised in that year a crop of good proportions. What happened in 1897 was, first, that a scorching drought in France cut down the season's wheat yield in that country 93,000,000 bushels from 1896; next, that a wet harvest reduced the Russian crop nearly 80,000,000 bushels; and, finally, that a season of storms flooded so disastrously the Danube Valley that Austria and the Balkan States gathered less wheat by 127,000,000 bushels than in the preceding year. The whole European crop fell below the yield of 1896 by 350,000,000 bushels,—a loss of no less than 30 per cent. Had the American harvest of 1897 remained at the figures of the year before, a great disaster would have befallen Europe. This country's fortune had, however, stood it in good stead. The high price of wheat in the autumn of 1896 had encouraged farmers, the country over, to plant more

wheat in the ensuing spring. This increase amounted to nearly five million acres. Weather conditions in the United States were favorable throughout the season. The resultant crop ran 103,000,000 bushels ahead of 1896, and was, with one exception, larger than any previously harvested.

Under the circumstances, it was sold at extraordinarily good prices. By August "dollar wheat" was touched again on the Chicago Board of Trade, for the first time since 1891; and the price was maintained throughout the ensuing season. At this price, consuming Europe, with its supplies already depleted by the Indian failure of the year before, bought our wheat in quantities quite unprecedented. During the twelve months after the harvest of 1896 the United States exported, in grain and flour, 83,000,000 bushels of wheat. In the same period, after the 1897 harvest, the export was 150,000,000. The value of the season's exported grain increased no less than $122,000,000. One result of this notable trade incident was the import, during the same twelve months, of $120,000,000 gold, — the first natural movement of the kind in this direction since the autumn of 1891. Directly, this inflow of gold, which was lodged with the Treasury in exchange for notes, caused a rise in the Government's gold reserve from the $44,500,000 of February, 1896, and the $137,000,000 at the end of 1897, to the handsome figure of $245,000,000 in the middle of 1898.

We have seen how the export of our wheat to famine-stricken Europe piled up our export trade and reversed our situation on the international market. The wheat was the primary influence; but scarcely less important was the revival in general trade. It was not until the close of 1897 that people began to hear, by way of Europe, of "the American invasion." This matter came to the front as a topic of discussion, in a remarkable speech delivered at Vienna,

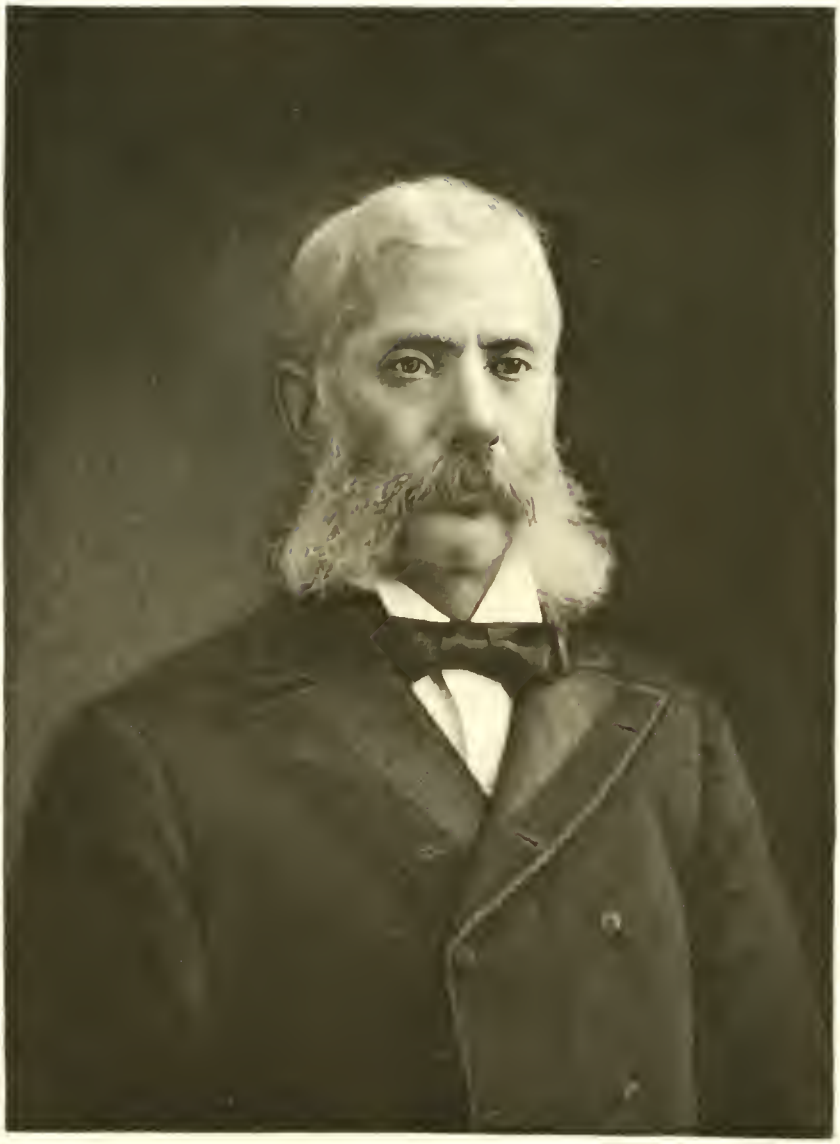
that December, by the Austrian Minister of Foreign Affairs, Count Goluchowski. It was asserted in this speech that "the destructive competition with trans-oceanic countries required prompt and counteracting measures, if the vital interests of the European people are not to be greatly compromised." "European nations," the Austrian statesman concluded, "must close their ranks and fight shoulder to shoulder, in order successfully to defend their existence."

Directed, as it obviously was, at the United States, what did this singular diatribe mean? Certainly, neither Austria nor Europe at large could have been protesting against the "American invasion" of Europe's grain market; for that, in 1897, was Europe's only alternative to famine. It did not require long to discover that Count Goluchowski had his eye on our export of manufactures. The volume of these exports was practically stationary in the eight years between 1882 and 1890, and it increased very slowly after that. In the hard times after 1894, however, when there seemed little hope in a domestic market, our manufacturers began to look abroad. As we have seen in noticing the iron trade figures, even as late as 1897, great stocks of unsold goods had piled up after every effort to stimulate home production. But we have learned also that, while our own markets were passing through that period of despondency, Europe's were reviving rapidly; by 1897, their recovery had assumed the dimensions of a "boom."

It has been shown what was our own manufacturers' position. Prices were low, wages were low, material was abundant, the struggle for profits had sharpened the eye for improvements and economies. The one thing needed was an expanding market. At home there was none as yet; but here, in foreign States, had suddenly arisen a demand for manufactured goods so urgent that at the moment English and German manufacturers could hardly fill it. Our people

would scarcely have shown themselves possessed of Yankee shrewdness had they neglected the opportunity; and they did not neglect it. They were, in fact, in a peculiarly favorable situation to take advantage of it. The raw material lay almost at the doors of the factories. Skilled laborers, chafing after their four-year period of partial idleness, could be had at once and in quite sufficient number, and orders from home consumers were so light that scarcely half the producing capacity of well-equipped mills was being used for the domestic trade. Our manufacturers took foreign orders for prompt delivery which the English and German mills were simply unable to accept. We sold our goods, not only in the so-called neutral markets, but in the markets of Continental Europe. The result was that, between 1893 and 1899, our export of manufactures actually doubled. They were $158,000,000 in the one year, and $339,000,000 in the other; and they increased a hundred million more in the fiscal year 1900. It is easy to see why, under such conditions, our total export trade, crossing the billion-dollar mark in the fiscal year 1897, should have risen to $1,200,000,000 in 1898, to nearly $1,400,000,000 in 1900, and to not quite $1,500,000,000 in 1901. Stimulated by this great outside demand, our trade activity and our industrial profits rose to extraordinary figures.

The first task of this era of returning prosperity was the task of financial reconstruction. After the panic of 1893, not only was 61 per cent. of the outstanding shares of American railways receiving no dividend whatever, but one fourth of that stock represented roads in the hands of bankruptcy courts. As late as the middle of 1895 receivers were operating 169 railways, with 37,855 miles of track — more than one fifth of the country's total railway mileage, and represented on the markets by no less than $2,400,000,000 stocks and bonds.



MEYER GUGGENHEIM

Was the founder of the Guggenheim fortune in America. Came to Philadelphia in 1848 from Switzerland, where the family was one of the first three Jewish families which had settled there in the early days of the Helvetian Republic. Became interested in mines in Leadville, Col., and was thereby drawn into the mining and smelting business, in which he ultimately brought up his seven sons. Gave all his sons a practical business education under his immediate direction. Became interested in mining in Mexico and formed ultimately the firm of M. Guggenheim's Sons. Retired from active business, and died in 1905.

In the hard times of 1894, no rehabilitation of these wrecked corporations was possible; the achievement called for abundant confidence and abundant capital; and it was only with the returning sign of promise in the next three years that substantial progress was made. In December, 1895, the Erie was taken out of the receivers' hands; in the same month, the Atchison, Topeka & Santa Fé emerged from bankruptcy; in September, 1896, the Philadelphia & Reading was placed on its feet. Foreclosure was in each case followed by purchase of the properties in behalf of former shareholders, who, as a condition to their participation in the new company, were assessed *pro rata* to raise the needed cash resources, the bondholders submitting to lower interest rates, usually receiving stock in the new corporation as a solace.

Naturally, this process of rehabilitation grew more general as the return of prosperity became assured. In 1893, railways with $1,781,000,000 stock and bonds were placed in receivers' hands; in 1896, railways with $1,150,377,000 were sold under foreclosure; for each process, these were totals exceeding by nearly a billion dollars those of any other year on record. But as against the 169 insolvent railroads of 1895, with 37,856 miles of track and $2,439,000,000 capital liabilities, existing receiverships in the middle of 1898 covered only 94 roads, with a mileage of 12,745 and a capital of $661,500,000, and in 1900 only 52 roads, with mileage of 4178 and capital of $351,000,000. By 1900, net earnings of all American railways had increased 50 per cent. over 1895, and actual dividends paid out were nearly doubled.

This expansion of financial and industrial activity had presently to endure some rather crucial tests. The United States declared war against Spain in April, 1898, and this for a month upset all financial markets. Our situation on

international exchange, however, was so strong that the very first thing the country did, even before war had been declared, was to draw $60,000,000 gold from Europe to protect its bank position. The war was quickly over. Admiral Dewey destroyed the Spanish fleet at Manila on the first of May; Cervera's fleet was annihilated July 3d, outside Santiago harbor; on July 26th, Spain asked for terms, and on August 12th, the protocol to the treaty of peace was signed. In several ways, the war served to demonstrate the new financial resources of the country. A $200,000,000 3 per cent. war loan, offered at par to investors in July, elicited subscriptions for $1,500,000,000; it was taken by home subscribers, the separate allotments numbering 320,000, and it went to a premium of 6 per cent. within three months. In April, 1899, our Government paid Spain a $20,000,000 indemnity for the Philippines, and the $20,000,000 export of gold, caused by the operation in exchange, did not prevent a continuous increase in the Treasury's own gold reserve.

Partly in connection with the war, wheat went to a price—$1.85 per bushel at Chicago, on May 10th—never but once exceeded in the thirty preceding years. This was a corner, which broke down as corners usually do; but it was unlike many corners, in that it occurred when the American farmer still had plenty of wheat to sell, and when he received the benefit of the corner prices. Our wheat crop of 1897 was the second largest ever harvested in this country. The crop of 1898 exceeded all precedent, and that of 1901 was 10 per cent. larger still. In the fiscal year 1893 our imports exceeded exports by $18,700,000. In 1897 the excess of exports was $286,000,000. The next year it was $615,000,000.

This abnormal accumulation of foreign credits had some strange results. First, the pressure of domestic capital

on our home investment markets raised prices to unexpected heights. As a result, foreign holders of our securities sold them back; and Europe was practically drained of American stocks and bonds. Then, for the first time in our history, we began to lend to Europe. President Krüger of the Transvaal Republic declared war on England in October, 1899. Transvaal mines had in 1898 produced $75,000,000 gold—more than one fourth of the whole world's output of the year—and exactly that amount was received in London, from South Africa, during 1899. But with hostilities begun and the Transvaal frontier blockaded, production sank at once to insignificant proportions; then, when the Boer authorities placed an embargo on the mines, it ceased entirely. From April, 1900, to April, 1901, inclusive, scarcely an ounce of gold was mined in the Transvaal, and in the whole year 1900, England received only $1,800,000 gold from South Africa; less by $7,000,000 than the sum which it had to export to the banks of Cape Colony. As a consequence of this sudden curtailment of supplies, coming with trade and speculation abnormally active throughout Europe, the great state banks began to bid for gold. The Bank of England's official discount rate went in December, 1899, to 6 per cent., a height not reached since the panic of 1890; the Imperial Bank of Germany fixed 7 per cent., the highest rate in its history.

In the face of this confusion of the markets, and of several defeats which foreshadowed a long campaign, England placed its war loans. Before the war was ended—and that was not until May 31, 1902—England had issued $795,000,000 in new government securities; the whole cost to England of this little conflict was no less than $1,085,000,000—or, since the fighting lasted two years and nine months, almost exactly one million dollars per day. Inevitably, the collapse in foreign markets, at the

end of 1899, disconcerted our own financial markets also; London's panicky recall of capital from New York sent the Wall Street call-money rate up to 186 per cent. on December 18th. Yet it was in this very situation that the American market came to Europe's relief. New York took $28,000,000 of the British Exchequer loan of August, 1900; applied for $150,000,000 of the loan of May, 1901, and secured $100,000,000; it subscribed for $80,000,000, or one half of the loan of April, 1902. In two of these loans, American banking houses dealt directly with the British Exchequer, something wholly new in financial history. These were not all our foreign investments of the period. The German Government sold us $20,000,000 of its new bonds in 1900, and we lent some $10,000,000 more to Continental cities. Yet the "foreign balance" continued to accumulate. At the close of 1900 it was estimated by international bankers that this country still had a credit fund of at least $200,000,000 outstanding on Europe's money markets.

It was a very common query at that time, in financial circles, what was to be the outcome of this unprecedented situation. Some people predicted that it would mean investment of our overflowing capital, on a rapidly increasing scale, in foreign enterprises. It was then that the prophecy was heard that New York was destined to displace London, if it had not already displaced it, as the financial center of the world. On the other hand, the Wall Street community, which took the speculator's view, predicted that the price of outstanding American securities, under this pressure for investment, would rise to unheard-of heights. Neither of these things happened exactly as was predicted, but what did happen was, as we shall presently see, quite as startling as either of them.

The situation in which the American community found

itself, in 1901, was one which arises at intervals in all prosperous modern states; but its characteristics were emphasized, on this occasion, by the unusual incidents of the period. Such a situation has invariably, on all previous occasions, resulted, first in readiness of people at large to embark, in all sorts of enterprises, the wealth whose extent they have suddenly come to realize, and next in a rush to speculation.

I have shown to what extent the prosperity of the United States, and its rapid accumulation of new capital, had progressed. We have seen how this capital, gathering confidence and pressing on all investment markets, had not only raised prices of our own securities to unexpected heights, and bought back from Europe the bulk of American investments in foreigners' hands, but had overflowed into such quarters as British consols and German Treasury bonds. But after all this, a huge credit fund was still left uninvested on home and foreign markets. At such times, people always wonder what is to be the outcome, and the outcome is always the same. The public has the money, and is eager to invest it; the banking community provides new securities as a field for such investment. These securities may be good or bad, sound or fraudulent. They may be new enterprises or old enterprises recapitalized. All of these applicants appeared on the scene in 1899 and 1900. But the great banking houses, with their hand on the public pulse, concluded that this was a mere trifling with the resources at command. The reservoir of American capital seemed inexhaustible; it filled up on one side faster than it could be drained into these various enterprises on the other. It was then that the scheme of recapitalizing American industry was conceived.

Industrial trusts were not new in American financial history. But the movement had languished after 1890; hard times, low profits, and distrust on the part of invest-

ment capital prevented further progress between 1893 and 1897; the financial embarrassment of some of the trusts already in existence threw doubt on other propositions of the sort. But the prosperous trade, abundant capital, and overflowing confidence which prevailed in 1899 had created a new situation. The promoter—a name which now grew suddenly familiar on all American markets—asked the owners of a dozen or more competing plants, in a given industry, to name a selling price. Naturally, as their own retirement from business was involved, the price the owners fixed was high. A banking syndicate would be formed, however, to provide the money requisite for the purchase and for a handsome payment to the middleman. Thus acquired, the manufacturing plants would be combined and incorporated.

As it turned out, and as the bankers had expected, the public was in exactly the mood to respond to the invitation. The shares were readily absorbed; other combinations followed. Still, the investment fund showed no symptoms of exhaustion. Presently the more venturesome spirits among promoters began to combine these already large industrial combinations into a single company, and to sell the stock of that, at inflated valuations, to the public. This would have been a step too far, but for the fact that profits of manufacture, notably in the steel and iron trade, went on increasing faster than promoters could turn their expectations into stock.

How far this movement of incorporation went may be judged from the following figures. In the first three months of 1899 new industrial companies, with a total capitalization of no less than $1,586,000,000, were incorporated in this country. During the full year 1899 the total rose to $3,593,000,000, of which respectable sum $2,354,000,000 was the common stock, which, by frank confession of pro-

Stugewaurtsch

STUYVESANT FISH

Ba[illegible] in New York City, June 24, 1851. [illegible] President Grant. [illegible] graduate of Columbia College, 1871; [illegible] Erie railway [illegible] Illinois Central Railroad; June 20, 1872 [illegible] president [illegible] Northern, Boss & Co., [illegible] November 10, 1876, [illegible] 7, 1883, second [illegible] May 18, 1887, [illegible] American Railway Association, [illegible] Commission, [illegible] New York Life Insurance & Trust Co.; [illegible] and director [illegible] Pacific, New York, and director [illegible] other corporations; president [illegible] Chamber of Commerce of New York from 1883 until [illegible] disapproval of methods [illegible] in the press.

moters, then and afterward, was simply "water." We have already seen, however, how seriously the investing public took even these common shares. They did, in fact, show particular favor to them, for the reason that the relatively lower price of common shares roused the bargain-counter instinct. Furthermore, in the immense industrial expansion of the period, these very common stocks, representing the inflated capitalization of concerns which in not a few cases had been bankrupt four or five years before, were very generally receiving dividends.

For it was not only true that individuals, in the flush of material prosperity, were buying necessities and luxuries with increased freedom. Even in this direction there was a general tendency which approached extravagance. But a still more powerful demand came from the industries themselves. Iron, for instance, which had sold for $15.45 per ton in the autumn of 1894, brought $29.50 at the close of 1899; that is to say, its price had nearly doubled, and such a market necessarily brought about construction of new plants and enlargement of those already in the field. Iron for such construction was bought from existing mills. The same stimulus ran through every other trade. An extremely large demand for new material came from railways, which had to carry the produce of the farmers to the coast. Naturally, after four years of rigid cutting of expenses under receivers in bankruptcy, the companies were in no condition to handle easily this enormous trade in 1897, and, as their profits and credit went on rising, after the readjustment of their financial status, their task was physical reconstruction of the properties. What they spent on this, as compared with three or four years before, may be judged from the new railway securities which were sold in the investment markets to procure the money. In 1898 they put out $67,000,000 worth of stock and bonds, mostly for

such purposes; in 1899, $107,000,000; in 1900, $199,000,000; in 1901, $434,000,000; and, in 1902, $527,000,000.

That industry and finance halted in 1900, under the double influence of the collapse of the foreign market for our exports and the vicissitudes of the presidential campaign, was entirely natural. But the country's real prosperity, its accumulation of fresh capital, had not been arrested even momentarily. News of the final defeat of the free-silver coinage movement, in the November elections of 1900, found its immediate reflection on the Stock Exchange; it was the political side of things which served to fire the imagination, already brought to a pitch of no little excitement by the spectacle of the country's enormous economic power. From this mixture of causes followed very rapidly what may be described as the explosion of speculation at the beginning of 1901,—a period which will possibly have as conspicuous a place in the curious reminiscences of finance as the South Sea Bubble of 1720 and the railway craze of 1844. Its underlying causes were, indeed, identical with the causes of those older episodes; the principal phenomena of each were the immense amount of new stock issued, the eagerness of the public to buy it, and the rapidity with which people who bought found the value of their holdings rising. The situation of 1901 was one which turned men's heads. The country seemed to have reached a pinnacle of prosperity from which nothing could dislodge it. The profits of our incorporated enterprises seemed to have no assignable limit. American capital pressed upon every avenue of investment. The most reckless and foolish speculation was apt to achieve success. Looking at the matter philosophically, there need be no wonder that the word went forth, in financial circles previously noted for conservatism, that old precedents of finance were obsolete, that it was no longer necessary to judge the present and future by the past.

The climax of this great speculation came from a peculiar cause, which, I think, we shall understand in the light of what we have already considered, but which the investing public of that day did not understand at all. It became evident, at the close of 1900, that something more than buying by investors was at work in the Stock Exchanges. On one stock after another, a buying movement would converge which seemed to be utterly indifferent to prices, and which was accompanied by trading of quite unexampled volume. It was presently evident that what was going on was the purchase, at extravagant prices, of a controlling interest in the shares of railway and industrial companies. The public inferred, from what it saw, that these purchases were being made on their own account by men of boundless wealth, who were merely investing their private capital. Such a supposition naturally drew the investing public into the whirl of speculation: first, in order to make its own investments before prices should go beyond its reach; second, in the hope of selling out at the much higher prices which the rich men's purchases were expected to bring about.

But the public was mistaken as to the nature of the movement. What actually was happening was this. People connected with one corporation would borrow large sums of money, and use that money to buy up shares of another subsidiary or competing corporation. They were buying, however, not for themselves, but for the company with which they were identified; and their purpose was, as soon as the property had been obtained, to hand it over, issue new stock or bonds of their own corporation, sell such securities to the public, and use the proceeds to reimburse themselves, with a handsome bonus. There was the famous case, for instance, of the Chicago, Burlington & Quincy Railway. This company's stock, amounting to $110,000,000, sold at the end of 1900 for $144 per share, which was considered by

most people rather high. People identified with the Northern Pacific Railway bought up the stock at a seemingly reckless rate, pushed up its price above $180, and then announced that a bond would be issued by the Northern Pacific and Great Northern companies to pay $200 a share for the whole of the Burlington stock. These bonds were later sold on the open market, the result, of course, being that the supply of securities on the market was increased by some $50,000,000.

The same process occurred in half a dozen other railways, the usual expedient being the issue of what was now called a "collateral trust bond." Stock of another company — sometimes all of it, sometimes a bare majority — was bought for a corporation. That corporation thereupon issued bonds for the cost of purchase; but those bonds, instead of being, like other mortgage issues, a lien on the franchise and road-bed of the issuing company, were merely secured by pledge of the stock which had been bought. When it was found that the public readily bought these bonds, the device was followed by another, not altogether new, but never before applied on such a scale. A company would be chartered for no definite purpose except to hold the shares of other companies. Having bought up these shares or acquired them through exchange, it issued its own stock to foot the bill. The public bought this stock, as it had bought the collateral trust bonds, and there seemed no limit to the scope of the operation.

It was during this period that Mr. Morgan, in March, 1901, formed his "billion-dollar steel trust." The project met with remarkable success. Starting on the curb at a price of 38 for "Steel common," and 82¾ for the 7 per cent. "Steel preferred," the Stock Exchange price advanced in a month to 55 and 101⅝ respectively. Half a million of the shares were dealt in during the first two days of their

appearance on the Stock Exchange; the next week's record was a million. The greater part of this was doubtless merely "matching of orders" through the medium of brokers, but the public did not know this. It caught the speculative fever; even in thrifty Western towns and New England country villages, the gossip of an evening was apt to concern itself with "Steel." So successful was the operation that a year or two later the $25,000,000 "underwriting syndicate" received back in cash its whole subscription, plus 200 per cent. in dividends.

The outburst of speculation during April, 1901, was something rarely paralleled in the history of speculative manias. Not only did the younger men who had sold out to the Steel Corporation—now made into many times millionaires overnight and bewildered by their extraordinary fortune—toss into stock market ventures the money which they saw no other way of using, but old and experienced capitalists came near losing their heads, asserted publicly that the old traditions of finance no longer held and that a new order of things must now be reckoned with, and joined the dance. The "outside public," meantime, seemed to lose all restraint. A stream of excited customers, of every description, brought their money down to Wall Street, and spent their days in offices near the Stock Exchange. Two or three years before, it was called a good day's business when 400,000 shares of stock changed hands on the Exchange. In April, 1901, the daily record rose to a million shares, to two million, and finally, on April 30th, to three million and a quarter. Estimating the average price of stocks at that period at $60 per share—an inside figure—it will be seen that the 3,200,000 shares of April 30th meant that from some quarter $192,000,000 worth of stocks was bought. The mere posting of this enormous business compelled commission houses to keep their office forces working into

the small hours of the night. Execution of the orders on the floor of the Stock Exchange, under the prevalent conditions of excitement, so manifestly threatened physical breakdown of the brokers that the governing committee took the quite unprecedented step of declaring an extra Stock Exchange holiday to give the membership a rest. The newspapers were full of stories of hotel waiters, clerks in business offices, even doorkeepers and dressmakers, who had won considerable fortunes in their speculations. The effect on the public mind may be imagined.

While this was going on, promoters were busy with projects as daring, in their way, as the steel amalgamation. The phrase, "thinking in hundred millions," which had its origin in that period, fairly describes the state of things. Bankers in high standing asked and received commissions as high as five million dollars for managing some of these operations, and still the original proprietors who sold out to the combinations received prices of which they had never dreamed. The bankers who had successfully carried through the steel amalgamation entered new fields of experiment. Starting with two transatlantic steamship lines which were owned by American investors, they undertook to merge into one huge holding company all the competing foreign lines. The German companies, after some tentative negotiation, withdrew, and hasty counter-propositions by the British Government caused the Cunard Line to break off negotiations. When, however, control of such old English enterprises as the White Star and Leyland lines was secured, partly for cash and partly through the $112,000,000 stock and $50,000,000 bonds of the International Mercantile Marine, an angry outcry arose in England. London itself shared in the notion, which the American press and public adopted on the spot, that we were using our boundless resources of capital to snatch away Great Britain's suprem-

PRESIDENT

THEODORE PERRY SHONTS

Railway and traction official; born in Crawford County, Pa., May 5, 1856; son Dr. Henry Daniels and Margaret Nevin (Marshall) Shonts; ancestry, Dutch and Scotch-Irish; went with parents in boyhood, to Appanoose County, Ia.; educated in public schools of Centerville, Ia., and at Monmouth College, Monmouth, Ill., from which he graduated in 1876; married in Centerville, Ia., 1882, Harriet Amelia, daughter General (afterward Governor) Francis M. Drake; two daughters: Marguerite and Theodora (now Duchesse de Chaulnes). After graduation, became an accountant, and was employed by national banks in Iowa to standardize and simplify methods of bookkeeping; studied law and practiced a short time at Centerville, Ia.; became associated with General Drake, who had large financial and railroad interests, and who placed in his hands much of the work of management and construction. With associates, secured the control of the Toledo, St. Louis & Western Railroad (Clover Leaf Road), which he rehabilitated and made successful; was selected in 1905 by President Roosevelt as chairman of Isthmian Canal Commission, continuing at its head until February, 1907, when he was elected president of the Interborough-Metropolitan System of New York, entering upon his duties March 4, 1907. Also president Chicago and Alton, Toledo, St. Louis & Western, Minneapolis and St. Louis, and Iowa Central Railroads.

acy of the seas. Neither party could foresee the time, not very distant even then, when the English interests which had sold out for cash to the Wall Street promoters would buy back control of the whole unwieldy combination for one third or one fourth of the price paid originally by the Americans. Yet even in the face of the popular clamor in England during 1901, the chairman, at the ensuing annual meeting of the Leyland Company, flatly told the shareholders that the offer made was so extravagant that no management had a right to refuse it. "The vendors," wrote a high authority in the British shipping trade, "made an exceptionally good bargain, which it is probable the purchasers will soon find out."

Both at home and abroad, cool-headed criticism of this nature, on the American amalgamations, was occasionally heard; in fact, a process of this sort was merely riding for a fall—if for no other reason, than that, in the prodigious inflation of values which prevailed, the resources of capital and credit must eventually be exhausted. It usually happens, in such episodes, that the reckoning comes from an unexpected cause; also that it comes at the moment when the public and the speculators have reached the conclusion that it can never come. Both turned an absolutely deaf ear in 1901 to financial warnings, and to the aspirations of the financiers themselves there seemed to be no limit. It was the very next move of the Wall Street promoters, however, which brought about the crash.

The operation has been already noticed whereby the Chicago, Burlington & Quincy Railway was bought up by the Northern Pacific and the Great Northern. Now the Burlington was more useful as a feeder and more dangerous as a competitor to the Union Pacific Railway than to either of these two buyers. The Union Pacific asked to participate in the Burlington purchase, but the request was refused.

What the Union Pacific management then did was to start in to buy control of the Northern Pacific itself on the open market. The Northern Pacific management discovered what was under way, and proceeded to strengthen its own holdings of the stock. In this fight for ownership of a $155,000,000 corporation, Mr. J. P. Morgan and Mr. E. H. Harriman were brought first into financial collision. Mr. Morgan, then at the pinnacle of his prestige, with the billion-dollar steel amalgamation just achieved, and wielding a personal authority and power which made his will the law with a good part of Wall Street's capitalists and institutions, represented the controlling interest in Northern Pacific. His adherents, among whom Mr. James J. Hill of the Great Northern was the most important, did not own a clear majority of the stock, but their financial resources, and the credit which they were able to command in this country and in Europe, were now utilized to make control secure. Mr. Harriman, a younger man, with a genius for both railway management and for stock speculation, was in full control of the Union Pacific Railway Company, and was affiliated with a body of immensely wealthy capitalists known as the "Standard Oil group." His task, in acquiring upwards of $77,000,000 Northern Pacific stock, was in fact considerably greater than Morgan's, because he had no such substantial holdings to start with as the Morgan interest held. He surmounted this handicap by daring use of the Union Pacific's credit. The shareholders had voted the Union Pacific management borrowing powers which amounted almost to *carte blanche* in the money market, and in those days of easy credit and accommodating banking syndicates, the powers had been so used as to accumulate a great reserve of cash. A subsidiary company, the Oregon Short Line, was equipped by the Union Pacific, in return for certificates of indebtedness, with funds to buy up

$78,000,000 Northern Pacific stock, and with these resources its brokers entered the excited Wall Street market.

The resultant situation was too much for Europe, whose banking houses had been lending freely to the great American promoters, but which now began to take in sail. Paris bankers at once stopped further advances; the Bank of England called the London joint-stock banks together to warn them against New York. The contest for Northern Pacific, however, did not slacken. As the stock rose from 110 to more than 200, international bankers sold heavily—borrowing stock for delivery, to be replaced by the real foreign shares on the way from London—and speculators for the decline sold still more largely, in expectation of a break on which they could buy in at lower prices to close out their contracts. But they misunderstood the situation. The rival bidders, as it happened, were bent, not on taking profits in the rise, but on obtaining and locking up the actual shares. On the 9th of May, it was suddenly discovered that deliveries of more Northern Pacific stock had been thus contracted for than could be bought or borrowed. The $155,000,000 stock was cornered. Its price went up in an hour from 160 to 1000; for, naturally, enforcement of the contracts of sale meant ruin for the seller, and the scramble of cornered brokers to protect themselves was instantaneous. While this was happening to Northern Pacific stock, all other stocks broke violently, declines of 50 per cent. or more occurring in many of the soundest shares. It was admitted, afterward, that on the books of the lending banks, and on the basis of the day's low prices for collateral pledged against Stock Exchange loans, a good part of Wall Street was for a couple of hours technically insolvent.

The crisis itself passed over when the two rival bidders, their hands forced by the disastrous results which their quarrel had invoked, came together and agreed on conditions

which would relieve the victims of the corner; but the spell was broken. Much of the public's infatuation had been based on the enormous and accumulating "foreign credit balance" of the country which had been estimated, a year before, at not less than $200,000,000. By the middle of 1901 it was figured out by competent experts that not only had this great credit been entirely wiped out by the drafts of our banking houses, but that a floating debt to Europe, footing up nearly as much, had been created. Our bankers had, in fact, borrowed heavily in London, Paris, Berlin, Amsterdam, and even in the poorer European markets, like Vienna. These loans, as they matured, were called in by the lenders, and in the harvest months of 1901, when gold ought to have been flowing towards this country, the United States shipped $25,000,000 gold to Europe. One of the largest of the new trade combinations, the $155,000,000 Amalgamated Copper Company, had been holding the market for that metal at an artificial price; in the autumn of 1901, it lost its market, copper fell from 16 cents a pound to 11, and the "holding company" had to cut its annual dividend from 8 per cent. to 2. At the height of the April speculation, Wall Street had dismissed warnings of possible agricultural disaster with the reply that the country no longer depended on agriculture. Nature's response was a summer of scorching drought in the corn-belt, similar to that of 1894, as a result of which the corn crop of 1901 was cut down 28 per cent. from the year before, its yield being, except for 1894, very much the smallest in eleven years. Only the good fortune of a "bumper" wheat crop, in a year of partial European shortage, saved our export trade of 1901.

The reaction from the excesses of 1901 continued during the two ensuing years; for although speculation again grew rampant in 1902, with resumption of promoters' activities and stock-jobbing exploits, the signs of public abstention

and over-strained credit were visible throughout the year. With the autumn, a severe money squeeze was the sequel to the activities of the speculators, and the year 1903 began with evidence that the "underwriting syndicates," which had guaranteed the numerous Wall Street promotions of the two preceding years, were caught in a trap. Banks which had loaned them money began to force a settlement. The stocks which they held had for some time been popularly known as "undigested securities," showing that the public understood the situation. A little later on it was James J. Hill, the author of the "Burlington deal," who suggested the term "indigestible securities." The syndicates began by selling their reserve investments of older high-grade stocks and bonds, and the market broke under their sales. Some of these syndicates, fairly forced to the wall, next threw on the market the underwritten securities, to get what they could for them.

They got very little, for along with this heavy selling came news most disquieting to investors. The hastily capitalized industrial corporations themselves began to raise signals of distress. Some of them, like the New England Cotton Yarn, which had been paying 7 per cent. dividends, called a cash assessment from their shareholders. The great steel corporation stopped dividends on its common stock, which had been paid since the company was organized, and with the subsequent fall in prices of its shares, the market valuation of the stock, which had been $785,000,000 in 1901, fell in 1903 to $350,000,000.

Other smaller combinations followed its example. The Consolidated Lake Superior, a $100,000,000 iron trade combination, which had paid 7 per cent. dividends on its stock, up to the preceding December, went suddenly into bankruptcy. The United States Shipbuilding Company, which sold its bonds on the assurance that foreign investors

were buying both them and its $50,000,000 stock, was placed in the hands of receivers, with an exposure of humbug which was little less than farcical. Its promoters had never even approached great foreign bankers, but had been dealing with needy adventurers around the Bourse who had not the money to equip a mill. In the unsettlement of public confidence, there was even a run on financial institutions, and serious bank failures in two or three smaller cities.

Yet, whatever may have been the really fundamental cause of the crash of 1903, the fact is that, as in the sequel of 1884, the doubts and misgivings of this minor crisis were dismissed within a year and a half. By 1905, not only the United States, but Europe also, had resumed the "industrial boom" on a scale of substantial magnitude. To at least some extent, it is reasonable to suppose that resumption of full gold production in South Africa had an influence. Other circumstances conspired to stimulate this movement of recovery. Two years of exceptional agricultural prosperity occurred; of wheat in particular, the world produced in 1905 a crop larger by nearly 100,000,000 bushels than ever before harvested, and in 1906 the yield was 100,000,000 larger still. Prior to 1902, the world's largest wheat yield had been 2,900,000,000 bushels; the crop of 1906 was 3,400,000,000; yet such was the magnitude of consumption that English experts estimated the second of these figures to have been only 1,440,000 bushels beyond the world's actual requirements for the season. In the United States, despite the signs of diminishing productive capacity in 1904, the wheat crops of 1905 and 1906 surpassed all precedent except the great "wheat year" 1901; the corn crop established a new maximum yield in each of these two years; the cotton yield of 1905 was the third largest in our agricultural history and that of 1906 was only a trifle below the largest.

JOHN STANTON

Was conspicuous in copper industry; born in Bristol, England, February 25, 1830; mining engineer and expert. Developed mines in Virginia, Maryland, North Carolina, Tennessee, and Lake Superior region. Was president of the Wolverine, Mohawk, and Baltic, and treasurer of the Atlantic & Central Mining Co., and stockholder in practically all the Lake Superior mining and copper companies. Director in several coal companies, and one of the founders of the New York Metal Exchange in 1876, of which he was president two years. President of the Engineers' Club; member of the American Institute of Mining Engineers, the Lake Superior Mining Institute, and the North of England Institute of Mining & Mechanical Engineers. Died February 23, 1906.

Notwithstanding this bounty of nature, prices and cost of living rose with greater rapidity than at any time in a generation past. Taking the London *Economist's* "index number" as a measure, we shall find that between the middle of 1897, when the low level of the period was reached, and the end of 1904, the average of commodity prices had risen from 1885 to 2136. Between the middle of 1904 and the middle of 1907, it had advanced to 2601. Comparing the index number for the end of 1904 with that for the middle of 1897, we shall find an advance of $13\frac{3}{8}$ per cent. Comparing the number for the middle of 1907 with that for the end of 1904, we shall find the rise for that second period was no less than $21\frac{3}{4}$ per cent. Putting the matter in another way, on the basis of units, the increase in the index number, from 1897 to 1904 inclusive, was 251 points; from 1904 to 1907 inclusive, it was 465 points.

In 1901, cotton was considered dear at 10 cents a pound; a short crop and a New York corner raised the price in March, 1904, to $16\frac{5}{8}$, from which, on the harvesting of a crop, the ensuing season, 20 per cent. larger than the previous maximum yield, it fell to 8 cents or thereabouts. The cotton growers thereupon organized; conventions were held, an association formed with branches throughout the cotton belt; resolutions were adopted fixing the minimum price at 15 cents a pound, and arrangements made for advancing money to the planter, whereby he might hold his cotton off the market until his price was reached. The "official price" was not achieved; but a good part of the crop of 1906, which was only slightly smaller than the largest yield on record, was sold at prices ranging from 12 to 13 cents. Meantime, hand in hand with the rise in price of merchandise, land and rents advanced. The rise in land values, which began in earnest during 1904, reached the next year, in a good part of this country, the proportions of a mania. Farm lands

naturally led in the movement; with the great harvests and the high prices, their actual earning power was enormously enhanced; they doubled, trebled, and quadrupled in value. But town and city lots, throughout the country, followed suit. Speculation grew violent in a hundred widely separated localities, and one would see, fifty or sixty miles away from populous cities, unimproved meadowland staked out with street signs of avenues and boulevards, and in some cases dealt in through paper "options," the speculators not taking the trouble even to pass title. Sums wholly without precedent were invested in the erection of town and city dwellings. In New York City, capital expended on construction of new buildings had never, even in the excited years of 1899 and 1901, exceeded $150,000,000; it was only $139,000,000 in 1904. But in 1905, it rose to the extraordinary figure of $230,000,000, and this was typical of dozens of cities throughout the United States.

A quite inevitable outcome of this extraordinary rise in cost of materials and labor was the demand for increased amounts of capital for use in trade, and a rise in the price of money. Even among merchants, it was common complaint that nearly twice as much money had to be used to conduct the same volume of business as had been necessary two or three years before. Manufacturers had the higher cost of labor and materials to absorb increased capital on the same amount of output, and this happened at a time when the bank-deposit fund, the surplus capital of the community, was being narrowed by the increasing cost of living. That necessarily meant low bank reserves and dear money. Yet evidence of a growing strain on capital resources was no more conspicuous than evidence of the financial community's readiness to draw still more largely on the credit market. This readiness was tested in a very conclusive way. On the night of February 8, 1904, the Jap-

anese fleet attacked the Russian squadron at Port Arthur, and one of the three most costly wars since the Napoleonic era began. It continued, on sea and land, until August 29, 1905, and it involved an expenditure, by the two belligerents, of a sum not far below two thousand million dollars.

Although 1904 had been the year of heavy Japanese loans in London, requisitions on that market's capital, through new security issues, ran in 1905 $220,000,000 above the preceding year, reaching a height never exceeded save in the twelvemonth before the "Baring panic year." Exchange of checks at the London Bankers' Clearing-house, in 1905, rose 16 per cent. above the highest previous yearly total, and 30 per cent. above so active a year as 1899. All this reflected immense activity at the central money market of the world. In the United States, bank clearings in 1905 rose 27 per cent. over 1904 and greatly exceeded all previous records; yet those of 1906 were 11 per cent. larger still. On the European continent, Germany's issue of new securities in 1905 was 70 per cent. larger than in 1904; the estimated total, $770,000,000, comparing with $615,000,000 in 1898, itself the maximum of that decade's excited "boom" and the previous high record in the country's history. That it was not alone financial activity, moreover, which was pulling at the market's purse-strings, may be shown by the fact that iron production, a fair measure of industrial conditions, increased in England from 8,500,000 tons in 1904 to 9,500,000 in 1905 and 10,000,000 in 1906—a 30 per cent. increase over 1901; in Germany from 10,000,000 tons in 1904 to 12,200,000 in 1906, and in the United States from 16,400,000 tons in 1904 to 25,300,000 in 1906, the figures of the last-named year being in all three instances unprecedented. "Everything is in motion," wrote a trained observer regarding 1906; "railways, steamers, factories, harbors, docks; it is evident that so gigantic a development

of trade and industry could not fail to have a marked influence upon the position of the international money market."

That influence would have been less formidable, even with the engulfing of capital in the Eastern war loans, had not speculation, with its enhancement of values and its peremptory demand on bank resources, thrown its weight into the scale. Let it again be observed that, unlike our "boom" of 1901, the industrial expansion of 1905 and 1906, and the speculation which accompanied it, were limited only by the bounds of the civilized world. In October, 1905, when the Imperial Bank of Germany put up its discount rate successively to 5, to 5½, and to 6 per cent.—the last-named figure being the highest ever reached, except in time of actual financial panic—the authorities of the bank declared publicly that the volume of uncovered note circulation, a pure emergency device, was the largest in the history of the institution, and that the high discount rate was expressly designed to apply a curb to the German speculative mania. In Egypt, land and stock speculation reached, between 1905 and 1907, a pitch of excitement which, later on, a responsible financier described as meaning that the "people were apparently mad; I do not know what other word to use; they seemed to think that every company that came out was worth double its value before it had even started business." In Japan, the declaration of peace in August, 1905, was followed by what was described in a subsequent government review as a "fever of enterprise," in which "prices of securities rose higher and higher," with "a similar rise of prices in general," and of which high banking authority remarked that, by 1906, "men of judgment had already begun to look askance at this state of affairs."

Of the American speculation in commodities and land,

mention has already been made; but the spectacular interest of the period attached to the Stock Exchange. During the autumn of 1905 this speculation reached a singular position. It was not, like the American stock speculation of 1901, conducted on the basis of public participation; the real outside investor now had employment for his own capital in the increasing demands of his private business. But to his absence the speculative leaders, who comprised large groups of immensely wealthy capitalists, bank officers, and railway directors, were seemingly indifferent. Their bank affiliations enabled them to pursue their course unchecked; their use of credit was practically unrestrained; there seemed no bounds to the audacity of their ventures.

These exploits were carried out in the face of rapidly falling bank reserves and rapidly rising money rates. Even at the height of the speculative craze of 1901, mercantile discounts at New York had ranged around 5 per cent.; in the autumn of 1905, the full legal rate was charged, plus a "broker's commission," which brought the actual rate as high as 7 per cent.—a very abnormal figure, showing that general trade was feeling the strain. But Stock Exchange speculation did not halt; in various stocks controlled by powerful groups of capitalists, advances of 10 to 20 per cent. occurred, with enormous trading. When the New York banks reported a steadily weakening position, recourse was had to Europe. Money was raised in London on the collateral of these speculative holdings, and great blocks of American stock were shipped from New York to the English market. On November 11, 1905, and again on December 9th, reserves of the New York Associated Banks fell below the 25 per cent. ratio to deposits stipulated by the National Bank Act. Rates for demand loans on Wall Street went to 25 per cent. in November, and still the Stock Exchange

speculation for the rise continued. On December 28th, the rate reached 125.

Such events as have been narrated were of a character to influence profoundly social and political conditions, and no review of the period would be at all adequate which did not make careful account of developments in such directions. The advance in commodity prices; the growth of industrial combinations, on a scale of magnitude beyond the imagination of the previous decade; the sensational speculation in securities and commodities; the overshadowing power acquired, through their bank and company affiliations, by groups of immensely wealthy capitalists—these were the typical phenomena of the day. They were dominant influences on financial markets; but they also touched closely the everyday life and habits of the ordinary citizen. Socially, they had two distinct and opposite effects. The first was extravagance of living—more spectacular in the case of men, like the independent steel-producers of 1901, whom the "deals" of the great trade combinations had suddenly made millionaires many times over—but noticeable also in the community at large. Belief in impregnable prosperity was general, and with that belief came not only lavish private expenditure, but appetite for speculation. One important question was no longer merely that of the size of combinations, but of the purposes of the controlling interests. Mr. Harriman, who had won repute not only as a skillful railway manager but as a daring speculator, was authorized by the Union Pacific board, of which he was chairman, to "borrow such sums of money as may be required for the uses of this company, and to execute in the name and on behalf of this company a note or notes for the amount so borrowed." Had Harriman achieved his purpose of capturing the Northern Pacific in 1901, his success, combined with his previous acquisitions, the Interstate Com-

HOME OF THOMAS F. RYAN

This building, of white stone, on upper Fifth Avenue, was purchased by Mr. Ryan about 1910, and has been used since as his city residence. Mr. Ryan occupied for many years the substantial brick building at No. 60 Fifth Avenue. He also has a home on the site of his birthplace in Virginia, named Oak Ridge, where he maintains his legal residence, and a country house at Suffern, N. Y.

merce Commission declared, "would have subjected to a common will and policy nearly one-half of the territory of the United States—a comparatively undeveloped, rapidly growing and extremely rich territory, into which must necessarily extend the population and business of the Eastern States." Even as regarded the rest of the United States, Harriman defiantly testified, in a public hearing, that if the law would let him alone, he would "spread not only over the Pacific coast, but spread over the Atlantic." "I would," he declared of his policy of buying up one group of railroads on the credit of another, "go on as long as I live." When the Northern Securities holding company, formed to own a majority interest in the Northern Pacific and Great Northern railways, came before the court, and its counsel was setting forth the good influence of the merger, he was asked from the United States Supreme Bench if the same machinery might not be employed to buy up all the railways of the United States, and place control of the whole of them in the hands of three or four individuals. He answered that such use of it would be highly improbable, but that it might be so employed.

It was not alone, however, the possibilities arising from such power on which public interest was converged by the movement of events, but the manner of acquiring the power. On this question, what was deemed at the time an accident poured a sudden flood of light. In February, 1905, a quarrel broke out between the president and vice-president of the Equitable Life, a joint-stock institution with $413,000,000 total resources but a share capital of only $100,000, of which $51,000 was owned by one James H. Hyde, a young man of twenty-seven, son of the founder of the company. This stock carried only 7 per cent. dividends; but the majority holding gave to its owner unusual power for overruling policies of the president and trustees. The president of the

Equitable sent to his fellow-directors, over his signature and that of other active officers, a flat declaration that the reëlection of Mr. Hyde as vice-president "would be most prejudicial to the welfare and progress of the society and the conservation of the trust funds." At the ensuing annual meeting of the Equitable trustees, this protest was again submitted, and a petition to turn the society from a joint-stock into a mutual company was added. The course of the personal dispute need not concern us further; in the event, Mr. Hyde and the President, Mr. Alexander, both retired from the company. The real significance of the episode was that it compelled investigation and publicity regarding the use of the Equitable's funds.

First, the trustees appointed a committee of their own; this committee, three months later, submitted a report which threw the directors' meeting into disorder, and led to a searching inquiry by the New York Legislature. The Frick committee found that officers of the Equitable had used the company's funds as subscriptions to "underwritings" organized by themselves, thereby violating the insurance law; that one of them had without authority carried in his own name large blocks of securities owned by the company; that the Equitable, which was debarred by law from speculative undertakings in Wall Street, had bought control of three trust companies with broader powers, and had kept on deposit with those companies the greater part of its own cash surplus; that in 1903, with $36,000,000 thus deposited, it had been unable to use for its own legitimate investments any part of the money thus deposited, undoubtedly because the deposit had been tied up, through these other banking institutions, in illegitimate financial ventures; and that its president, with that huge sum in bank and with standard investment securities at a most inviting price, had written to a fellow-officer that "we would be buying a

good many of such things were it not that we are so strapped for money by engagements already made."

When a committee of trustees had exposed such performances with the trust funds of the people, it was plain that the State would have to take a hand. The New York Legislature promptly named a committee of investigation. Under the guidance of its counsel, Charles E. Hughes, it began, on September 6, 1905, a searching examination of all of the great companies. The committee found relatively little of the sale of securities to companies by their own trustees, as exposed by the Frick committee, but very much use of the companies' funds to participate in syndicates in which trustees were personally interested. Employment of life insurance funds, through subsidiary companies, for investment in undertakings forbidden to the life concerns themselves—including the United States Steel and "Shipping Trust" promotions—was found to have prevailed on an extensive scale, and occasionally with misleading entries on the books; legislators, political committees, and even newspapers had been subsidized in enormous sums. Along with this, exorbitant salaries and nepotism had prevailed, but dividends to policyholders had not only decreased actually, but had fallen far below official and published estimates. The climax of this extraordinary testimony was capped by the president of one of the largest companies, who, when confronted with the above conditions, declared on the stand that the promoters of his company had acted "from a pure spirit of philanthropy and benevolence," establishing "a missionary enterprise, so to speak"; but that it "was n't the object to declare a dividend to a man," in order that a policyholder, having paid his annual premium, should "then at the end of the year get seven dollars and go home and spend it for cigars."

This investigation, publicly conducted during four

successive months, and reported in every newspaper, had an influence on public sentiment which was difficult to measure. In the insurance field itself a radical reform law was enacted, by which the life companies were prohibited from owning other institutions, and were required after an interval of years to get rid of their holdings of trust company, safe deposit, railway, and other stocks. At the height of the excitement, in 1905, Mr. Hyde's controlling interest of 51 per cent. of the Equitable stock, with a par value of $100,000, was purchased by Mr. Thomas F. Ryan for $2,500,000. Although Mr. Ryan at once placed the stock in the hands of three voting trustees,—Grover Cleveland, ex-Judge Morgan J. O'Brien, and Lewis Cass Ledyard,—the effect of this purchase upon public opinion was not especially favorable, and the stock was ultimately taken over, several years later, by Mr. J. P. Morgan. Under the trusteeship, an effort was made to inject into the directorate a larger element of the business community outside of "Wall Street"; and Paul Morton, who had had a somewhat spectacular career as a pet of President Roosevelt and as his Secretary of the Navy, was made president. Morton had the shrewdness to engage as comptroller of the company and practically as his confidential adviser Judge William A. Day, who had proved his industry and sobriety of judgment in Washington as a special attorney of the Department of Justice. Under the counsel of Judge Day, who succeeded to the presidency of the company on the death of Morton in January, 1911, the Equitable was guided into more tranquil waters.

What the outcome of these various episodes would have been upon our political history, had the conditions which people then described as "the existing order of things" continued to prevail at Washington, is a question full of interest. We possess no means of judging confidently how

far President McKinley's policies, after his second inauguration in 1901, might have been shaped or altered by the new industrial problems which came suddenly into view that year. All we can say is, that his traditions and temperament were not such as to have invoked a collision between the Executive and the corporations. The question was never tested; it was only five months after his second term began that he was shot by an anarchist at Buffalo, where he died on September 14, 1901.

Mr. Roosevelt, who then succeeded him, had been nominated for Vice-President against his own wish and therefore without pledges or commitments. In his speech on taking the oath of office, however, Mr. Roosevelt declared his purpose "to continue absolutely unbroken the policy of President McKinley for the peace, prosperity, and honor of our beloved country," and he at once requested all of McKinley's cabinet ministers to retain office during the full term for which they had been selected. In his first message to Congress, two months later, he declared the "startling increase . . . in the number of very large individual, and especially of very large corporate, fortunes" to be due "to natural causes in the business world"—a process which "has aroused much antagonism, a great part of which is wholly without warrant." He advised "caution in dealing with corporations," because "to strike with ignorant violence at the interests of one set of men almost inevitably endangers the interests of all," and because "the mechanism of modern business is so delicate that extreme care must be taken not to interfere with it in a spirit of rashness or ignorance."

All this was reassuring to those capitalists whose plans had apparently been disconcerted by McKinley's death. They paid less attention, therefore, to the new President's further declarations that "there are real and grave evils, one

of the chief being overcapitalization"; that "combination and concentration should be, not prohibited, but supervised and within reasonable limits controlled," and that "corporations engaged in interstate commerce should be regulated if they are found to exercise a license working to the public injury." It was out of these three declarations, however, that what are now known as the policies of the Roosevelt Adminstration grew.

These policies soon placed the Government in direct and formidable antagonism with the ambitious designs of capitalists which we have already had occasion to review. The case, in my opinion, was such that any and all available measures for protection of the public welfare would have been invoked by any government resolved on challenging the pretensions of the great promoters of the day. The instrument selected as the most serviceable on the statutes was the so-called "Sherman Anti-Trust Law" of 1890.

In February, 1902, the Attorney-General, Mr. P. C. Knox, entered suit for the Government against the Northern Securities Company. This concern was an outgrowth of the famous "Northern Pacific corner" of May 9, 1901, when the disastrous contest between the Harriman and Morgan interests, for ownership of the Northern Pacific Railway, was compromised by deposit of their stock and that of the parallel Great Northern Railway Company in the hands of a holding corporation. The corporation had a stock of $400,000,000, which it exchanged for shares in the two railways; its directors were selected from the rival boards.

Mr. Knox attacked the merger as "a virtual consolidation of two competing transcontinental lines," whereby not only would "monopoly of the interstate and foreign commerce, formerly carried on by them as competitors, be created," but whereby, through use of the same machinery, "the entire railway systems of the country may be absorbed,

B. A. Day

WILLIAM A. DAY

President Equitable Life Assurance Society of the United States. Formerly engaged in practice as lawyer; was appointed auditor United States Treasury by President Cleveland, of whom he was a cordial admirer; special assistant to Attorney-General of United States in cases under Interstate Commerce act and the Sherman anti-trust law; Assistant Attorney-General of United States in charge of prosecution of trust cases, 1903–1905. Was made Comptroller of Equitable Life Assurance Society at time of reorganization in 1905, vice-president in 1906, and president in 1911.

merged, and consolidated." A year after its introduction, on April 9, 1903, the Circuit Court before which the suit was brought decided for the Government, the essential part of its decision being the dictum that the merger "destroyed every motive for competition between the two roads engaged in interstate traffic, which were natural competitors for business." Appealing thence to the Federal Supreme Court, the company's counsel fought on the theory that the merger was no restraint of trade because the Northern Securities had committed no overt act in such direction, and because the combination had primarily been formed to protect and develop trade. The court, in its decision of March, 14, 1904, found that, "necessarily, the constituent companies ceased, under such a combination, to be in active competition for trade and commerce," and that, independently of overt acts, "the mere existence of such a combination, and the power acquired by the holding company, . . . constitute a menace to, and a restraint upon, that freedom of commerce which Congress intended to recognize and protect."

In a bench of nine, four justices ruled on this ground against the appeal and four in favor of it. The ninth member, Justice Brewer, dissented from the larger application of the above-cited principles, on the ground that "the broad and sweeping language of the opinion of the court might tend to unsettle legitimate business enterprises, stifle or retard wholesome business activities," and he rejected the application of the Anti-Trust Law to "minor contracts in partial restraint of trade," already recognized by common law. But he held the Northern Securities device to be one which "might be extended until a single corporation whose stock was owned by three or four parties would be in practical control . . . of the whole transportation system of the country," and on that ground concurred in dismissing the

appeal. The order of the lower court, that the Northern Securities Company be dissolved, was therefore reaffirmed. In due course, though not until after another legal fight over methods of redistributing its holdings to owners of Northern Securities shares, the company surrendered its Northern Pacific and Great Northern stock, and practically went out of existence.

The Northern Securities victory by no means ended the activities of the government prosecutors against corporations, though no subsequent achievement was of equal importance. To a large extent, the later moves of the Roosevelt Administration had to do with secret discriminations in railway rates. In some of these suits the gravity of the abuse was not so clear, and in others the outcome much less gratifying, than in the Northern Securities case. The Standard Oil prosecution, announced by the President in a special message of May 4, 1906, ended in such a way as largely to defeat the Government's own purposes. The exploits of the Standard Oil Company, in the matter of secret concessions from the railways, had been exposed sensationally in the popular magazines, and the Government won a jury verdict, in August, 1907, wholly against the company. The Elkins Law, on which the suit was based, provided that "every person or corporation who shall offer, grant, give or solicit, accept or receive" from a railway any "rebates, concession, or discrimination," should on conviction be punished for each offense by a fine of not less than $1000 or more than $20,000.

Judge Landis, sitting in the Federal District Court of Indiana, had to pass on the question how many separate offenses were to be subject to such fine. The railway rebates had been granted during the period from September, 1903, to March, 1905, inclusive; counsel for the company asked, first, that the whole series be adjudged one infraction

of the law, or, second, that the violations be fixed at three in number, because the rate was determined once a year, or, third, that the number be declared as thirty-six, because that number of bills were rendered. The court rejected all three suggestions; declared on August 3, 1907, that each of the 1462 loaded cars forwarded at the discriminating rate was a separate offense; imposed for each the maximum fine of $20,000, and thereby arrived at the somewhat extraordinary penalty of $29,240,000. This fine, imposed as it was, not on the $98,000,000 "Standard Oil Trust," but on the immediate offender, the $1,000,000 subsidiary Standard Oil Company of Indiana, went, even in the popular judgment of the day, beyond the bounds of reason; it was commonly expected that the higher courts would set it aside, and, as a matter of fact, the Illinois Circuit Court, in July, 1908, found that a fine thus computed "had no basis in any intention or fixed rule discoverable in the statute" and was many times confiscatory. The court to whom the case was remanded for retrial directed, in March, 1909, a verdict of acquittal for lack of proper evidence.

In this matter, despite an overwhelming and not unfounded dislike to the methods of the Standard Oil Company, public sympathy was with the corporation. On the railway rate legislation, passed by Congress in response to the President's urgent messages, popular approval and disapproval were more evenly balanced than in the two great suits above referred to. There had been abundant provocation in the past relations of numerous important railways with favored communities and favored corporations; the demand for regulation was urgent, in the West especially; and the Hepburn Act, passed by the House in February, 1906, by a vote of 346 to 7, and by the Senate in June, on a vote of 71 to 3, authorized the Interstate Commerce Commission, on complaint, "to determine and pre-

scribe what will be the just and reasonable rate or rates . . . to be thereafter observed in such case as the maximum to be charged." It further declared that for each violation of the laws by a railway's officer or agent a fine of $5000 should be imposed, and that "every distinct violation shall be a separate offense, and in case of a continuing violation, each day shall be deemed a separate offense." This law is an important landmark, because the railway interests have ever since ascribed to it, and to the sweeping powers conferred on the interstate tribunal, the financial disorder of the ensuing year. It became, in 1908 and 1909, the commonplace of every annual railway report to ascribe the panic of 1907, and the reduced railway traffic which ensued, to the Hepburn Law of 1906.

The law was undoubtedly regarded with much misgiving by the railways; it was dissected and opposed, on grounds of constitutionality, of the rights of property, and of the dangerous public policy invoked through committing such powers to a board of commissioners, by some of the ablest Congressional lawyers. Yet it is not easy to doubt, conditions being what we have seen them to be in the great corporations of the country, that the good results of the Government's policy, taken as a whole, far outweighed the incidental evils.

Sir Jenkins

JEREMIAH WHIPPLE JENKS

A graduate of the University of Michigan, A.B., 1878, A.M., 1879, LL.D., 1903, Ph.D., University of Halle (Germany) 1885; Professor of Economics and Politics, Cornell University 1891–1912; Professor of Government and Director of the Division of Public Affairs, New York University, 1912. 1899–1901 Expert Agent of the United States Industrial Commission on Investigation of Trusts and Industrial Combinations in the United States and Europe, and Consulting Expert of the Department of Labor on the same subject. 1901–2 Special Commissioner of the War Department to investigate the questions of currency, labor, internal taxation, and police in the Orient; 1903 Special Expert on Currency Reform of the Government of Mexico; 1903–4 Member of the United States Commission on International Exchange, in special charge of reform of currency in China; 1907–11 Member of the United States Immigration Commission. Publications: *The Trust Problem; The Immigration Problem; Principles of Politics; Citizenship and the Schools; Life Questions of School Boys; Making of a Nation; Great Fortunes, the Winning, the Using*, editor of reports on Trusts of the Industrial Commission; reports of the Commission on International Exchange. Member of numerous economic and political scientific associations.

CHAPTER VI

THE DEVELOPMENT OF INDUSTRIAL COMBINATION

BY JEREMIAH W. JENKS AND WILLIAM H. LOUGH

IT is well known that a majority of the great combinations of the country have been planned, and in large part organized, in New York City. A distinction should be made, however, between the strictly industrial and the financial activities of combinations. Many concerns which were originally financed in New York City, and many even which are still directed from New York offices, really play no important part in the industrial and commercial life of the city or the State. Such concerns we eliminate from the present discussion.

Even with this limitation the subject is by no means narrow. Few people realize the industrial greatness of New York State. Though it has less than one tenth of the population of the United States within its borders, it has nearly one sixth of the manufacturing interests. With the single exception of Pennsylvania, no other State even approaches New York in the value of its manufactured products. Moreover, the supremacy of New York arises, not from concentration of capital in a few industries, but from well distributed activity in a great variety of industries. In many of these the tendency toward combination has been strong, so that our subject, limit it as we may, covers a wide field.

Until within the last few years, it has generally been

assumed by economists that free competition is the normal condition of business. But, as a matter of fact, competition always has been and probably always will be restricted to a much greater extent than was formerly realized. In retail business, prices are generally fixed partially by personal relations between the buyer and the seller, and not wholly by strictly economic motives. In addition, there is an element of combination in most lines of business, as, for instance, the associations of druggists, of grocers, of butchers, and of other retail merchants which frequently exist in small communities and through which standard prices are tacitly agreed upon and made known. Likewise, nearly every line of manufacturing has its own national society or association. Such societies may exist primarily for the sake of promoting acquaintance and for interchange of ideas; yet the very fact that they bring competitors together in friendly intercourse fosters a half-unconscious tendency toward price agreement. Even in wholesale lines, where competition is more nearly unchecked, informal combinations and agreements among dealers nearly always play an important part. The formation of trade associations is the first stage in the universal movement for restriction of competition, although, of course, these associations in themselves exercise only an uncertain and intermittent influence.

The effects of competition, where it does exist, are by no means always the same. Much depends upon whether the industry does or does not require the investment of a large amount of fixed capital. In those lines in which little capital is needed and in which, therefore, new firms are constantly rising and old firms disappearing, the result of competition is to eliminate those producers whose efficiency is not up to the standard of the industry and to maintain the price of the product at about the normal cost of produc-

tion plus a reasonable profit for most producers. Any efficient concern may be reasonably certain of holding its own. The kind of competition that we call "ruinous" cannot long exist, for the simple reason that the offending houses within a comparatively short time drive themselves into bankruptcy.

The case is entirely different in those industries in which large amounts of fixed capital are required. This capital, once invested, cannot be withdrawn. If vigorous competition is started, the price of the products may be forced down far below the level of the cost of production, and yet production will go on. With great funds of capital permanently invested, it may be, and frequently is, the lesser evil to produce at a loss rather than to allow the invested capital to lie idle and gradually waste away. In industries of this kind, competition may easily become "ruinous" to every one concerned; and, as a natural consequence, an attempt to restrict competition through combinations is practically inevitable.

Unrestricted competition in the large-capital industries not only tends to drive prices so low that goods are produced at a loss, but also causes waste in methods of production and marketing. The most common forms of waste are:

1. The difficulty of making sales in a competitive market leads to excessive expenditures on advertising, on traveling salesmen, and on other schemes for securing business.

2. The pressure of competition leads to the extension of credits to doubtful firms.

3. Competing firms often ship large quantities of goods into each other's territories, thereby incurring heavy and unnecessary transportation charges.

4. Inferior plants frequently turn out large quantities

of goods, owing to reckless and wasteful selling methods, while at the same time superior plants are not running to their full capacity.

5. A low grade of business ability retains control of some plants, while executive genius, on the other hand, does not obtain full scope for action.

6. By-products may be turned out by each plant in such small quantities as to be practically valueless, whereas, if combined, they could be made to yield a considerable income. For all these, and other less important reasons, industries in which large capital must be invested naturally tend toward combination.

Here, then, are the two underlying factors which work most effectively toward combination: cut-throat price-making and the wastes of competitive producing and marketing. As we have seen, these evils almost cure themselves — in industries in which fixed capital investments are not too large— by the rapid elimination of concerns which cannot make profits; but in those industries which require large capital investments, heavy losses may go on year after year without relieving the situation. Combination is the only cure. This is what George Stephenson, the great inventor, had in mind when he said of railroads (and, although a distinction between natural and capitalistic monopolies may be made, the remark applies equally well to many other industries), "Where combination is possible, competition is impossible."

It would seem at first glance that combination, which is designed to maintain fair prices and stop competitive waste, must necessarily be an association of rival companies. This is, in fact, the usual type of combination. Two or three or four or more concerns, which have been bitterly fighting, are brought together under a common management. There is, however, another type of combination, which in the last

ten years has become common—the combination, namely, of supplementary industries. This is an association of one or more companies which produce the raw material of the industry with other companies which manufacture semi-finished products, sometimes including also companies which turn out finished goods and even companies which sell those goods to the ultimate consumers. The American Tobacco Company, which carries its products through all stages of manufacture and sale from the warehouse to the smoker, is an excellent example. Such concerns are technically called "integrated." They influence prices and stop competitive waste, not merely through direct combination with rival companies (although this plan is at times also followed), but also through their control of raw and half-finished material. The distinction between combinations of rival industries and combinations of supplementary industries—between lateral expansion and vertical extension—is vitally important.

Combinations are not always formal; the essential elements of combination may be present in a simple, tacit understanding as to prices and methods of competition. It is generally found, however, that "gentlemen's agreements" are not effective. The temptation, ever-present to each member of the combination, to secure an advantage through some secret trick, is too strong. A more binding form of combination is called for. Among the forms that have been tried at various periods are:

1. Pools, either to divide territory or to restrict output. They have been successful in some European countries, but not in England or America. Our common law is distinctly hostile to such agreements, and consequently no legal penalties for failure to live up to pool agreements can be enforced. Indeed, those who enter into pool agreements are in danger of finding themselves entangled in the criminal

law. At the present time, pools are practically non-existent in this country.

2. Selling bureaus, such as are common in Europe; the German Steel Kartell is the best-known example. This form was tried in this country several years ago by the Michigan Salt Association. It has proved repugnant to the common law, and for that reason is practically unworkable in this country.

3. "Trusts," in the original sense of that word; that is, agreements under which the controlling stock of each of several corporations is turned over to a group of trustees. These trustees, in exchange for the stock of the various member corporations, issue their own trust certificates. This must be clearly distinguished from a voting trust within a corporation. The Standard Oil Trust, the American Sugar Trust, and other great combinations, were originally in this form; but after 1890, they were compelled to reorganize on account of decisions of the State courts, holding this form of combination illegal.

4. Holding corporations; that is, corporations which own the controlling stock of other corporations. This is the modern and, at present, almost the universal form of combination. In many respects, it is a somewhat clumsy method of maintaining control, for it involves a great deal of clerical and legal red-tape, and it often works injustice to minority stockholders. However, although in reality in its working it is substantially the same as the "trust," it seems as yet to be workable and legal in form and there is as yet no reason to think that this form of combination will not persist indefinitely. True, the United States Supreme Court has ordered the dissolution of the Standard Oil Company and of the American Tobacco Company; but both decisions were based upon specific acts which were found to be illegal, not on any inherent illegality in the

HENRY OSBORNE HAVEMEYER

Sugar refiner; born in New York City, 1847; son of Frederick Christian Havemeyer; educated in public and private schools; married Louisine W. Elder. Connected with Havemeyer & Elder, sugar refiners, first as member of firm, then manager; after 1891, president American Sugar Refining Co., American Coffee Co., Great Western Co. Trustee of the Colonial Trust Co.; director Alliance Realty Co., Brooklyn Cooperage Co., Brooklyn Elevator & Milling Co., Colonial Safe Deposit Co., National City Bank of New York, New Jersey & New York Realty & Improvement Co., Palmer Waterfront Land & Improvement Co., Pennsylvania Stave Co. Died, 1907.

form of combination. The great majority of holding companies will probably escape legal interference.

Inasmuch as the tendency toward combination is strongest in those industries which employ large amounts of fixed capital, it is evident that increased use of extensive plants and of long processes of manufacture encourages the formation of combinations. This is the reason why industrial combinations have become so numerous and powerful in the last twenty-five years. They are the by-products of improvements in the machinery of production and transportation.

The salient dates in the history of the Standard Oil Combination—the greatest of all the "trusts"—indicate the progress of the movement, as it has led in practically all the movements that had an industrial, as contrasted with a speculative, foundation. As far back as 1867, Mr. John D. Rockefeller, then one of the rising young business men of Cleveland, Ohio, took the lead in organizing the firm of Rockefeller, Andrews & Flagler. Five previously independent, or practically independent, refineries were absorbed by the new firm. In two or three of the refineries, to be sure, Mr. Rockefeller had previously been the controlling factor; yet the new partnership marked a step in advance of anything that had previously been accomplished toward introducing combination and stability into the oil business.

In 1870, this firm was succeeded by the Standard Oil Company of Ohio, which had a capital stock of $1,000,000 and produced at the beginning about 4 per cent. of all the oil refined in this country. From this time on, the progress of the combination was steady and rapid. In 1872, this corporation, having first increased its capital stock to $2,500,000, formed an "alliance" with five competitors. This was an association, not of corporations, but of friendly stockholders. It was officially known as the Central Association

of Refiners. During the years following, this "alliance" accomplished a marvelous extension of its activities and of its control over the oil industry. Its proportion of the production of refined oil in the United States, it is claimed, grew from 4 per cent. in 1870 to 95 per cent. in 1877. No doubt much of this increase was due to the combination's enjoyment of advantageous freight rates. Much of the gain undoubtedly was due also to the superior business capacity, organizing genius and courage of Mr. Rockefeller, supplemented by those of Mr. Payne, Mr. Flagler, Mr. Harkness, Mr. Pratt, Mr. Archbold, Mr. Rogers, and other associates who were from time to time active in the management of the combination's affairs.

In no other combination has the industrial side been so strongly emphasized. The Standard Oil stock has never been listed on the exchanges, and there has been little speculation in its shares. It seems to be a principle of its leading men not to accept directorships, unless they are able to give careful personal direction. Usually they control their companies and carry the responsibility. Mr. Rockefeller seems to have been preëminent in the qualities of saving, of judging men, of not permitting sentiment to interfere with business; and the same spirit has been infused into his associates. Many of his present associates were in earlier days his rivals. His chief counsel for many years was chosen after ability had been shown in fighting the Standard Oil Company. No feeling of personal hostility has hindered his recognition of ability.

The Standard Oil Company from the early days has been noted for its savings in property and expenses and energy. It is its own manufacturer wherever that will pay. It owns its own fleet of ships, its own pipe-lines. Its plants are so located as best to save freights. Its supervision of details extends to the smallest matters; its organization is

a model. Its leading men have, many of them, been widely known for their broad-minded generosity. Even that has not been the result of an outburst of sentiment. It has been managed on a wisely thought-out plan. From the business viewpoint of getting the largest returns with the least expenditure of energy, and of doing business to make profits instead of speculating, its leaders have justly been considered preëminent.

The great increase in its size made the loose form of combination inefficient. A remedy was found in the formation in 1882 of the Standard Oil Trust, a form of organization which has already been briefly described. The stockholders of forty corporations turned in their stock to the nine trustees selected under the trust agreement, and received in exchange the trustees' certificates. In addition, a large number of concerns organized as partnerships and as individual proprietorships, turned in their property, and received trustees' certificates. From this time on, the combination, whatever its legal form, has always been a remarkably stable and efficient organization, and up to the present time has controlled a large percentage of the output of refined oil.

About this time, the combination began its policy of developing the manufacture of by-products, a source from which it has since derived a large portion of its profits. It also started the export business, which has been so important a factor in its growth. At the present time, the Standard Oil Combination exports about 90 per cent. of the refined oil which goes out of the United States.

By a decision of the Supreme Court of Ohio in 1892, the Standard Oil Trust was declared an illegal combination, and, in obedience to the decree of the court, was shortly afterward dissolved. The dissolution did not, of course, break up the actual combination of interests, for the same men who had been trustees remained, as individuals, the controlling stock-

holders in the separate corporations. Once, again, however, this loose form of combination became unsatisfactory.

Finally, in 1899, the capital of the Standard Oil Company of New Jersey was increased from $10,000,000 to $100,000,000, and the greater portion of the stock of the New Jersey corporation was exchanged for the stock of the other affiliated companies. In other words, the Standard Oil Company of New Jersey became the holding company of the combination.

The combination in this form was in turn decided to be "in restraint of trade" and an illegal monopoly, within the meaning of the Sherman Anti-Trust Law, by the United States Supreme Court in May, 1911. The combination was given six months to dissolve, but was not excluded from interstate commerce pending the dissolution. The decision did not point out the way in which the company should dissolve and reorganize. The exact method of dissolution was, however, agreed upon in consultation with the Government and with the Court and thus bore the stamp of official approval. The principle followed in the dissolution was to give each stockholder of the Standard Oil Company of New Jersey his proportionate share of the stock of the thirty-three companies in the combination. These companies have since been operated as independent, and sometimes competing, units.

These important dates in the history of the Standard Oil Combination roughly mark the stages in the progress of the general movement toward industrial combination. Up to the early eighties, there were only loose alliances. During the eighties, a few great "trusts," in the proper sense of that term, were organized. In the early nineties, these combinations were reorganized under the holding corporation form. Up to 1893 the movement was not widespread. In that year the securities of only twenty

industrials of any importance were listed on the New York Stock Exchange. From 1893 to 1897 the business depression made the formation of great enterprises impossible. In 1898, however, the movement was resumed, and during the five years from 1898 to 1903 reached the culmination of its activity. In the three years 1898–1900, 149 large combinations, with a total capitalization of $3,578,650,000, were formed. The great majority of the large combinations now existent were formed in those five years. Since 1903 only a few combinations of any importance have been organized. The leading industries suitable for such organization were already so combined before 1903. The decisions of the United States Supreme Court in 1911, requiring the dissolution of the Standard Oil Combination and of the American Tobacco Combination, have caused some uncertainty as to the stability of the other great combinations.

This hasty review gives us the setting for a somewhat more detailed study of the industrial combinations of New York. New York City has been the headquarters of the whole movement. New York State, outside the city, has played a most important part in the underlying progress which has favored the growth of combinations. We shall see, working here at their highest speed, the forces which have brought about the development of industrial combinations.

It is helpful to classify industrial combinations, in a rough and ready fashion, into two groups—the big nation-wide trusts, which usually deal in the necessities of physical or industrial life, and the smaller combinations, which usually produce specialties rather than staples. Just as with many other useful classifications, it is impossible to draw a sharp line. The two groups, however, are plainly distinct in their methods of formation and operation. Without attempting to make an exhaustive list of all the

industrial combinations that are important to New York State, it will be helpful to name some examples of each group.

Combinations which belong to the first group are:

Organized in:	Title of Present Holding Corporation
1872	Standard Oil Company
1887	American Sugar & Refining Company
1890	American Tobacco Company
1899	Amalgamated Copper Company
	American Smelting and Refining Company
1901	United States Steel Corporation

These dates, as well as those in the following paragraph, are chosen, somewhat arbitrarily in a few cases, as marking the beginnings of the combinations. They are not necessarily the same as the dates of incorporation of the present holding companies.

Among the combinations of the second group, which have interests in New York State, are:

Organized in:	Title of Present Holding Corporation
1890	National Casket Company
	National Saw Company
1891	American Wringer Company
1892	General Electric Company
	United States Rubber Company
1893	Central Leather Company
	Union Typewriter Company
	United States Whip Company
1895	Mergenthaler Linotype Company
1896	Central Fireworks Company
1897	American Malt Corporation
1898	American Thread Company
	International Paper Company

James H. Post

JAMES HOWELL POST

Sugar refiner; born New Rochelle, New York, October 13, 1859; educated in public schools. Began business as a clerk with B. H. Howell, Son & Company in 1874, and became a partner in the firm in 1889. President of National Sugar Refining Company of New Jersey; director National City Bank of New York; trustee Williamsburg Savings Bank, London Assurance Corporation; director and treasurer Cuban-American Sugar Company and various other sugar companies; director United States Realty and Improvement Company, Nassau Trust Company, Franklin Trust Company, and various other companies. Trustee Industrial School Association of Brooklyn, Young Men's Christian Association of Brooklyn, Bureau of Charities, Brooklyn Hospital and Dispensary, and South Third Street Presbyterian Church.

Organized in:	Title of Present Holding Corporation
1898	Otis Elevator Company
	National Biscuit Company
1899	Electric Boat Company
	General Asphalt Company
	General Chemical Company
	International Steam Pump Company
	National Enameling and Stamping Company
	American Shipbuilding Company
	American Car and Foundry Company
	Niles–Bement–Pond Company
	American Ice Securities Company
	Royal Baking Powder Company
	Union Bag and Paper Company
	U. S. Cast Iron Pipe and Foundry Company
	American Chicle Company
	Standard Milling Company
1900	International Time Recording Company
	New York and Kentucky Company
	Casein Company of America
1901	Eastman Kodak Company
	H. W. Johns–Manville Company
	National Electric Lamp Company
	William A. Rogers, Ltd.
	American Can Company
	Union Mills
	United Drygoods Companies
	American Locomotive Company
	International Salt Company
1902	Butterick Company
	National Licorice Company
	Railway Steel Spring Company
	Corn Products Refining Company
1903	Standard Wall Paper Company

Organized in:	Title of Present Holding Corporation
1903	Aeolian-Weber Piano and Pianola Company
1904	American-La France Fire Engine Company
1905	Ingersoll-Rand Company
1909	Siegel Stores Corporation
1911	American Bank-Note Company

Even a casual glance at these two lists reveals certain striking facts. We see, for instance, how large a percentage of our trusts were formed in the five years, 1898–1903, inclusive; and of these nearly half were organized in the one year, 1899. We note further that of the eight great combinations, five were in existence prior to 1893: and the chief exception is more apparent than real. The United States Steel Corporation, as is well known, is chiefly a combination of several preëxisting combinations that had been organized some years before 1901. We may say in general—and this remark applies as well to combinations outside the scope of this article—that the great trusts were the ones first formed, and the lesser trusts were more or less conscious imitations. In some cases, they appear to have been organized more for the sake of putting profits into their promoters' pockets than because there was any urgent economic need for them.

These generalities, however, must be applied with caution. Each combination has its own peculiarities and, if it is to be judged fairly, must be separately considered. Without attempting to discuss each combination in detail, a few typical cases will illustrate the process of development.

The present American Sugar Refining Company was incorporated in New Jersey in 1891 to take over the entire assets and business of the Sugar Refineries Company, better known as the Sugar Trust. This latter company had been formed under the leadership of Mr. H. O. Havemeyer in

1887 to absorb the leading sugar refineries of the country then in operation; and during most of its history, Mr. Havemeyer's able, bold, dominating personality was the chief controlling factor in its development and policy. The United States Industrial Commission in 1900 brought to light the underlying reasons for the formation of the combination. Before 1887 there were forty competitive plants. The sugar industry is one of the best examples of the type, referred to earlier in this article, of business which requires a heavy investment in plant, machinery, and other forms of fixed capital. Hence, the forty plants were all bent on extending their sales, even though prices were below the total cost of refining sugar. The inevitable result was bitter and ruinous warfare. Between 1884 and 1887 eighteen of the forty plants went into receivers' hands. The failed concerns, of course, went on competing even more recklessly than those which remained solvent. Into this chaos some order was introduced by the formation of the Sugar Refineries Company.

This company was a "trust," in the legal sense. Each member entered into a contract to pool all properties, establishing a single and absolute ownership, and to receive in return trust certificates representing its proportion of the combined property and profits. By November, 1887, fifteen concerns had joined the combination. Five of the plants shortly after were closed and the efficiency of the other ten was developed to a high point. For two years the Sugar Refineries Company earned large profits.

In 1889, however, these profits attracted three new and powerful competitors into the field—Claus Spreckels in Philadelphia, Arbuckle Brothers, and Claus Doscher in New York. Competition again became severe and, although the smaller number of competitors and better understanding of the situation prevented the recklessness

which had marked the first era of competition, the profits of the Sugar Refineries Company were much decreased. At the same time the company was attacked in the New York State political campaign, and proceedings for its dissolution were threatened. Feeling itself legally insecure, after the decision of the Ohio Supreme Court dissolving the Standard Oil Trust, and being anxious to escape political attacks, the managers of the combination determined to reorganize. In 1891 the American Sugar Refining Company of New Jersey was incorporated.

The entire capital stock of the new company, consisting of $25,000,000 preferred and $25,000,000 common stock, was issued in exchange for the assets of the Sugar Refineries Company plus $11,000 cash. The company's official circular estimated the value of real estate and plants taken over at $41,250,000 and the cash assets and investments at $8,750,000. In 1892, the stock issue was increased to $75,000,000, in order to provide for the purchase of competing refineries, the most important of which were the Franklin Sugar Company and the Spreckels Sugar Refining Company. By these purchases and by better understanding with other concerns, the severity of competition after 1894 was much abated. The six years 1894 to 1900 were the most prosperous in the history of the Sugar Combination.

In 1900, a new combination, the National Sugar Refining Company, appeared in the field. This was a consolidation of three formerly independent plants in the vicinity of New York. An able group of sugar men, including Mr. James H. Post and Mr. F. C. Mollenhauer, were active in its formation and have since administered the company's affairs. The exact relations between this company and the American Sugar Refining Company were for many years obscure. It has now developed, however, that the American Company was the owner, from the beginning, of something over one

half of the preferred stock and that the late H. O. Havemeyer, former president of the American Sugar Refining Company, received $9,300,000 of the common stock. This explains the harmony which has always been apparent between the two companies. The National Company, throughout its semi-independent existence, has been financially successful.

Serious competition began to be felt in 1900 from the beet-sugar industry. The American Beet Sugar Company, a combination of some of the leading plants, was incorporated in 1899. In the few years following, various smaller beet-sugar concerns grew into prominence. At present there are, it is said, more than sixty beet-sugar plants of some importance in the country. The relations between the American Sugar Refining Company and the beet-sugar interests are not definitely known, but it is generally believed that the American Company has a controlling influence in the beet-sugar industry.

Nevertheless, it is certain that the profits of the Sugar Combination were much reduced after 1900. In 1891, 8 per cent. was paid; in 1892, 9 per cent.; in 1893, 11½ per cent.; in 1894–1899, annually, 12 per cent.; in 1900, 7¾ per cent.; and since 1900, 7 per cent. annually. The amount of common stock has been somewhat increased, but not enough to compensate for the diminution in dividends.

Very few facts as to the extent of the Sugar Combination's control over the industry are available. In a petition against the Company for alleged violation of the Sherman Anti-Trust Law, filed by the United States Government in November, 1910, it is claimed that the Company controls about 72 per cent. of the output of refined sugar in this country, excluding beet sugar, and about 70 per cent., including beet sugar. In reply, the Company claims that it is not a producer of raw sugar, does not and cannot control the price of raw sugar, is daily meeting intense competition

in selling refined sugar, and controls not more than 51 per cent. of the national output of refined sugar. The Company further sets forth that the price of granulated sugar in New York City has declined since 1870 from 13.5 cents per pound to 4.76 cents. Much of this decline would normally come with the progress of the industry. An investigation undertaken by the writer in 1900 for the Industrial Commission made it plain that the Sugar Combination up to that time had fixed prices at high figures whenever it could suppress competition. As competition, however, had never been completely eliminated for any long period, it did not appear that prices, on the whole, had been raised permanently much above their normal level. The tendency was there, but was somewhat restricted in its working. The Sugar Combination, unlike some of the other combinations, has exercised little influence toward steadying prices.

The Sugar Combination has never been free from a great deal of popular antagonism. It deals in one of the most common necessaries of life. There have been many complaints of the treatment of its workmen. There have been startling revelations from time to time as to the Company's methods of dealing with competitors, as in the well-known Pennsylvania Sugar Refining case, and, even more serious, as to the frauds practiced by certain of its employees in evading customs duties. The most potent factor, however, in promoting its unpopularity, has undoubtedly been the Company's former policy of secrecy as to all its operations. The violent fluctuations in the value of its stock have led many to believe that the directors were at times using their inside knowledge at the expense of other stockholders, though this belief could probably not be substantiated. President Havemeyer's defense of this policy of concealment at the annual meeting of the Company in 1894 is especially

T. D. Mollenhauer

FREDERICK D. MOLLENHAUER

Sugar refiner; born in New York City; son of John and Dora Mollenhauer; married in Brooklyn, N. Y., 1890, May Craig. Secretary, treasurer, and director Mollenhauer Sugar Refining Co.; vice-president, treasurer, and director National Sugar Refining Co., of New Jersey; vice-president, treasurer, and director New York Sugar Refining Co.; vice-president and director Citizens' Union Realty & Mortgage Co.; member advisory commission United States Lloyds; trustee Nassau Trust Co. director Central Aguirre Sugar Co., Cuban-American Sugar Co., Fajardo Sugar Co., Manufacturers' National Bank, St. Regis Paper Co.

interesting because it is typical of the attitude of many industrial executives. He said:

"We have at present 13,000 stockholders. Any information which they, as a body, ask for, the directors will at all times be prepared to furnish. Up to the present time stockholders have determined that special information shall not be given to individual stockholders. . . . A year ago, I made the point that a business corporation is an aggregation of individuals and that there were obvious objections to giving to competitors information about corporate affairs."

From one point of view this opinion has justification, but it is a narrow point of view and one which has been discarded by the great majority of large corporations. The present management of the American Sugar Refining Company has abandoned the policy of extreme secrecy and in so doing has effected a praiseworthy reform.

The Amalgamated Copper Company is the greatest combination in the mining field. It was incorporated under New Jersey laws in 1899, and at once acquired, in exchange for $154,000,000 of its own stock, the controlling interest in eight previously independent mining and smelting companies, and in the United Metals Selling Company, a marketing agency. The initial financing of the combination was remarkable for the public interest aroused, as well as for the conflicting accounts which have since been given as to the inner facts. It is not yet possible to disentangle the inaccuracies and exaggerations of these accounts and to set forth the exact truth. Its stock has been regarded from the beginning as a distinctly speculative security; and indeed this is inevitable, in view of the great fluctuations in the value of raw copper and the consequent fluctuations in the earnings of the Copper Combination. The parent company has reported surpluses for several years over its

stock dividends, but this favorable showing is accompanied by a long series of deficits in the income account of its chief subsidiary, the Anaconda Copper Mining Company. The Amalgamated Copper Company is an instance of a combination which does not control a sufficient proportion of the output to exercise a steadying influence on prices. Hence, it has been unable to achieve financial stability.

It has been asserted that the original purpose of the organizers of the Amalgamated Copper Company was to make its formation simply the first step toward a much greater combination of all copper-producing interests. Negotiations looking toward further combination in this field were reported by the financial papers to have been under way in 1909 and 1910. They were apparently abandoned, however, for the time being.

The first American Tobacco Company (not the present corporation) was chartered in New Jersey in 1890. At the time of its organization, it acquired all the property, including plant and good will, of five well-known concerns which were engaged chiefly in the manufacture of cigarettes. Mr. James B. Duke was the first president, and has ever since retained the leadership of the combination. In Mr. Duke again (as in Mr. Henry O. Havemeyer in sugar refining), the tobacco industry found a leader who knew the business from end to end and who had the ability, the courage, and the masterful personality to command his following. Practically every one of the great combinations has produced a leader of preëminent qualifications. The original capitalization was $25,000,000. The exhaustive report of the Commissioner of Corporations on the tobacco industry, from which the facts stated in this review are largely drawn, is authority for the statement that this company had control at the beginning of over 90 per cent. of the cigarette business of the country. It achieved

immediate prosperity, and during the period from 1890 to 1895 earned average profits of over $4,000,000 annually.

The Company at once began to extend its activities. In 1891, its authorized capital was increased to $35,000,000, and it bought the property of four important concerns which manufactured smoking tobacco, snuff, chewing tobacco, and cheroots. It developed the plug tobacco business with especial energy, and during the years from 1894 to 1897 entered into a bitter competitive warfare with the other plug manufacturers of the United States. The combination's leading brand, "Battle-Ax," was sold at times below the cost of production. As a result, the Company's profits were temporarily cut, and in the last quarter of 1895 the usual dividend on the common stock was omitted.

By 1898 some of the leading competitors of the Company in the plug tobacco business were ready to capitulate. In that year the Company bought outright two important plug manufacturing concerns. In December, 1898, a new combination of plug manufacturers, the Continental Tobacco Company, was formed. It took over all the plug business of the American Tobacco Company, and absorbed seven of the Company's leading competitors. The Continental Tobacco Company issued approximately $100,000,000 of stock, half preferred and half common. A little over one third went directly into the treasury of the American Tobacco Company in payment for its plug manufacturing business. The individual stockholders of the American Tobacco Company had a large enough additional interest in the Continental Tobacco Company to insure harmonious relations between the two.

During the same eventful year, 1898, a group of prominent financiers formed the Union Tobacco Company, a combination of some of the important concerns which were independent of American Tobacco. For a time a disastrous

war between the two combinations was threatened. Before long, however, peace was declared and a deal was made under which the stockholders of the Union Tobacco Company exchanged their holdings for stock of the American Tobacco Company. In this way the Union Tobacco group, composed of Thomas F. Ryan, P. A. B. Widener, Anthony N. Brady, W. C. Whitney, and Thomas Dolan, became an important factor both in the American Tobacco Company and in the allied Continental Tobacco Company. At about the same time, several of the cigarette manufacturers who had joined the American Tobacco combination at the start became dissatisfied with the new policy of reaching into new fields of tobacco manufacture and sold their stock. Thus the financiers who had organized Union Tobacco came into practical control. In 1899 the authorized common stock of the American Tobacco Company was increased from $21,000,000 to $56,000,000 and a 100 per cent. stock dividend was declared.

The next step of the American Tobacco Combination was to start a vigorous campaign for control of the snuff trade. In 1899, three snuff concerns were purchased. Their output, added to that previously owned by the American and Continental companies, gave the combination about one third of the snuff trade of the country. An independent combination, however, the Atlantic Snuff Company, was still stronger in this branch of the tobacco business. After a brief struggle, the two parties, with one important establishment outside either combination, coöperated in forming the American Snuff Company, which from the beginning controlled four fifths of the output of snuff.

By 1900 the Tobacco Combination was the dominant factor in the cigarette, the plug, the smoking tobacco, and the snuff business of the United States. The cigar trade, however, had scarcely been touched. At first sight it would

ANTHONY NICHOLAS BRADY

Capitalist; born in Lille, France, August 22, 1843; came to United States with parents in childhood; attended school until thirteen years old. Opened tea store in Albany, N. Y., in 1864; afterward added other stores until he had practical control of tea trade in Albany and Troy; obtained control of large granite quarries; became largely interested in gas and electric lighting corporations in Albany, Troy, Chicago, New York, and other cities, and in traction lines in New York City and elsewhere. His first public service enterprise was the starting of the Albany Gas Light Co., which he accomplished with the help of Roswell P. Flower and E. C. Benedict. He first appeared in New York as one of the organizers of the Metropolitan Traction Co., and in 1887 participated in the reorganization of the Brooklyn Rapid Transit Co., in which he was chairman of the board of directors at the time of his death. He was also very active in the New York Edison Co., in which he was succeeded by his son Nicholas F. Brady, who was elected president of the Company in April, 1913. Anthony N. Brady was president and director Edison Electric Illuminating Co. of Brooklyn, Kings Co. Electric Light & Power Co.; trustee Consolidated Gas Co. of New York; director American Tobacco Co., The Hudson Companies, National Surety Co., United States Rubber Co., Westinghouse Electric & Manufacturing Co., and many other corporations. Died in London, England, July 22, 1913.

have seemed hopeless to try to form an important combination of cigar manufacturers. Cigars are made in thousands of small shops, little expensive machinery is required, and skill in handling and rolling tobacco is not uncommon. These are precisely the conditions to favor a continuous competition. As a matter of fact, the American Tobacco people never have so far overcome all these handicaps as to establish control of the cigar business. But they have succeeded in becoming by far the largest single factor.

The American Cigar Company, organized in 1901 with a capital stock of $10,000,000, took over most of the cheroot and small cigar business of the American and Continental companies and acquired the Havana-American and one or two other important outside concerns. By 1903 it turned out about one sixth of the output of the United States.

As a method of raising additional cash and to bring about a closer union of the affiliated companies, the Consolidated Tobacco Company was incorporated in 1901. The capital stock, $30,000,000, was paid for in cash by a group of the leaders in the Tobacco Combination. Consolidated four per cent. fifty-year collateral trust bonds were offered for exchange at the rate of $100 for each $100 par value of Continental stock and at the rate of $200 for each $100 of American stock, the bonds to be secured by deposit with a trustee of all the stock thus received. In view of the facts that Continental common had never obtained a dividend and American common was on only a 6 per cent. basis, the offer was remarkably attractive and was quickly accepted by nearly all the stockholders of the two older companies. The organizers of the Consolidated, however, knew what they were about. They foresaw great profits, partly as a result of an approaching reduction in the internal revenue taxes, and to secure these profits were willing to advance a large sum of money and to guarantee to the other

stockholders a greater income than they had previously received. Their optimism was justified. Within a little over three years following the formation of the Consolidated, profits were earned, over and above interest on the bonds, of approximately $30,000,000.

Part of the $30,000,000 new cash brought into the combination by the sale of Consolidated stock was used to develop export trade. From the beginning in 1890, the American Tobacco Company had sought to extend its foreign sale of cigarettes, and had established several subsidiary companies abroad. In 1901, the combination determined to make itself felt in Great Britain. Control of Ogden's Limited, a large English company, was purchased for something over $5,000,000, and a vigorous campaign was started. In self-defense, the British manufacturers formed their own combination, the Imperial Tobacco Company. After a year's hard fighting, one of the most remarkable and far-reaching industrial agreements yet established was effected through the skillful diplomacy of Mr. Thomas F. Ryan. Under this agreement, the American Tobacco Combination gave up its business in Great Britain and Ireland, and the Imperial Tobacco Company obligated itself not to sell in the United States, its dependencies, or Cuba. Both companies joined in the formation of a third combination, the British-American Tobacco Company, chartered under English laws, which operates throughout the rest of the world. In this company the American Tobacco Combination has about a two thirds and the Imperial Company a one third interest. The British-American Company took over all the export factories, offices, and good will of its two organizers. Since its formation, it has made great progress in extending its control.

Another use for part of the cash capital of the Consoli-

dated Company was found in the purchase of two large Cuban cigar manufacturing establishments, the stock of which went into the treasury of the American Cigar Company. This company also took the controlling stock of a new subsidiary, the American Stogie Company.

A change in the form of combination, which had previously been considered, was put into effect shortly after the Northern Securities decision in 1904. The Consolidated Tobacco Company, a holding corporation, was succeeded by a new American Tobacco Company, which was an actual merger of the Consolidated, the Continental, and the first American Tobacco companies. Legally, a merger ends the corporate existence of each absorbed company. Its use is infrequent, partly on account of the usual difficulty of securing the assent of the required percentage of stockholders of the subsidiary companies. In this instance, however, the attractive offer by the Consolidated Company at the start had brought into its treasury almost all the outstanding stock of both the American and the Continental companies. The details of the merger were, therefore, easily settled. This change of form and name of the combination was simply a supposed protection against legal attack and was not of much practical importance.

The report of the Commissioner of Corporations states that "the total number of formerly separate concerns and combinations which have passed under the control of the Tobacco Combination is in the neighborhood of 250." This includes, not only manufacturers of tobacco in its various forms, but also makers of contributory products, such as tin foil, cotton bags, wooden boxes, and cigar and cigarette machinery, as well as distributors, including the United Cigar Stores Company. The report estimates the combination's percentage of the national output in 1906 as follows:

Cigarettes, 52.5 per cent.; little cigars, 81.3 per cent.; cigars, 14.7 per cent.; plug and twist, 81.8 per cent.; smoking, 70.6 per cent.; fine cut, 80.9 per cent.; snuff, 96 per cent. Apart from cigars and cigarettes, the combination's percentage of the total output of manufactured tobacco in each of several years, according to the report, was: 1891, 7.1 per cent.; 1897, 20 per cent.; 1900, 60.6 per cent.; and 1906, 77.6 per cent.

On May 29, 1911, the United States Supreme Court affirmed with slight changes a decree of the United States Circuit Court dissolving the American Tobacco Company as an illegal combination under Sections I. and II. of the Sherman Anti-Trust Law. The plan of dissolution, as finally approved, provided that the combination should be resolved into its constituent elements, leaving separate companies in control of each of the several distinct tobacco trades—cigarette, smoking tobacco, plug, snuff, and cigars.

The process of dissolution was made easier by reason of the orderly—we might almost say logical—growth of the combination. Far-sightedness, careful long-distance planning, certainty of execution—these are striking features of the Tobacco Combination's history. Step by step the organizers proceeded, first to establish control of cigarette-making, then to make themselves dominant successively in the plug, the smoking tobacco, the snuff, and the cigar trades in the United States, then to enter foreign markets. There have been no haphazard moves.

Any fair-minded man, whatever judgment as to the good or evil results of the Tobacco Combination he may form, will be impressed, as he studies its history, with the ability of its management. At every stage its operations, though often daring, have been based on thorough knowledge and sound thinking. Time after time it has met and defeated strongly entrenched competitors. It is well known that, through an

efficient system of gathering information, its officers have gone far in reducing the uncertainties of the business. In the financial handling there is evidence of the same forethought and caution. At the beginning, the American Tobacco Company announced its "consistent policy of not borrowing money." Later, when its earnings became more stable, large issues of bonds were put out. But throughout its history it has steadily maintained an ample working capital and has never yielded to the temptation to develop its business without ample cash resources.

Another noteworthy characteristic of the Tobacco Combination is the absence of one-man control. The report of the Commissioner of Corporations shows that ten of the largest stockholders in 1906 controlled 60 per cent. of the voting stock. These ten stockholders were J. B. Duke, A. N. Brady, O. H. Payne, P. A. B. Widener, Thomas F. Ryan, B. U. Duke, G. B. Schley, the firm of Moore & Schley (chiefly as agent for clients), and the estates of W. C. Whitney and W. L. Elkins. In the Tobacco Combination, one should not overlook the counsel, Mr. Fuller. He could not be spared any more than Mr. S. C. T. Dodd of the Standard Oil Company or Mr. Parsons of the Sugar Combination could be spared from the history of those concerns. The lawyers are not so prominent as the presidents. It has often been their skill that has opened the way to advance and that has warded off attacks—just and unjust. This group, the membership of which has varied somewhat from year to year, has from 1899 on worked almost as a unit. But no one or two or three members of the group have been strong enough to dominate their associates.

The American Smelting & Refining Co. was founded under the laws of New Jersey, April 4, 1899. It started with a controlling interest in thirteen large concerns engaged in smelting and refining lead and silver ore, and was said to

have sufficient capacity to handle all the smelting ore mined east of the Rocky Mountains. In 1901 a large interest in the enterprise was acquired by the house of M. Guggenheim's Sons. This remarkable family, of which Meyer Guggenheim was the head, has become the greatest mining and smelting family in the world. The family consisted originally of seven sons and three daughters, all of whom are living except Benjamin, who was lost on the *Titanic*, April 15, 1912. Meyer Guggenheim enforced upon his seven sons the maxim that "in union is force." Following his advice, the action of the family councils is determined by the voice of a majority, and no important step is taken without the concurrence of all. It has also been a tradition that no outsider who has joined the family in a financial venture shall suffer loss. This was exemplified in a striking manner in 1906, when the firm paid up $1,500,000 losses which had been incurred by those who had joined in underwriting the Nipissing Cobalt Mines.

After the Guggenheims acquired an interest in the American Smelting & Refining Co., Daniel Guggenheim became president and chairman of the board of directors. Three other members of the family—Solomon R., Isaac, and Murray Guggenheim—also serve on the board. Other members of the family conduct branches of the business in other parts of the country, Simon Guggenheim having lived for a time in Colorado and been United States Senator from that State for the term 1907 to 1913. Direct relations were established at an early date with the London silver market, and an effort was made by the Guggenheims to market the product of American mines on terms the most equitable and profitable to American miners. Among those who have contributed materially to the success of the company is Mr. Edward Brush of Greenwich, Conn., who rose from the position of secretary to that of one of

Daniel Guggenheim

DANIEL GUGGENHEIM

Was born in Philadelphia, July 9, 1856. Entered the American Smelting & Refining Co. in 1901, and became president and chairman of the board of directors. He is president and director of the Guggenheim Exploration Co., American Smelters' Securities Co., vice-president and director of the Yukon Gold Co., director of the National Bank of Commerce, Guaranty Trust Co., Utah Copper Co., Nevada Northern Railway Co., and other corporations. Mr. Guggenheim married on July 22, 1884, Miss Florence Shloss, and has two sons and one daughter. He is an active patron of art and some years ago presented Louis Loeb's painting, *The Temple of the Winds*, to the Metropolitan Museum of Art.

the vice-presidents, became one of the chief American experts on silver, and was consulted by the Government of Mexico in the plans for the monetary reform in that country.

The capital stock of the American Smelting & Refining Co. stood for several years at $100,000,000, of which half was common and half preferred stock. The amount of common stock was increased by $15,000,000 in 1911, the additional amount to be held solely for the conversion of the six per cent. convertible debentures of the American Smelters' Securities Co. The company has plants in Colorado, Montana, Nebraska, Illinois, Utah, and elsewhere in the United States, and also large establishments in Mexico.

Certain other combinations work in such close harmony with the American Smelting and Refining Company that they may almost be considered part of the Smelting Combination. Especially is this true of the National Lead and United Lead companies. The former was organized in 1891 as successor to the National Lead Trust. It owns twenty-six plants for the manufacture of white lead, oxides, oils, and for the refining and smelting of lead. Its capital stock is $30,000,000, half preferred and half common. The United Lead Company, organized in 1903, includes most of the other lead plants of the country. Its capital stock is $25,000,000 and it has a bond issue of $10,000,000.

The Steel, like the Oil, Combination is too well known to require a lengthy discussion. The United States Steel Corporation is a super-combination, a combination of combinations. The eight companies first included were:

Carnegie Steel Company
Federal Steel Company
American Steel and Wire Company
National Tube Company

National Steel Company
American Tin Plate Company
American Steel Hoop Company
American Sheet Steel Company.

Shortly after organization, two other companies were taken in, namely:

American Bridge Company
Lake Superior Consolidated Iron Mines Company.

Among the corporations which have since been acquired are:

Shelby Tube Company
Union Steel Company
Tennessee Coal, Iron, and Railroad Company.

The number of corporations directly subsidiary to the parent corporations has been reduced somewhat by consolidating some of the subsidiary companies. The enterprise is so vast that in the nature of things the officials of the holding company can maintain only a general oversight over the sub-companies. Each subsidiary company manages its own internal affairs, and buys and sells from and even competes with other sub-companies. Cross shipments, however, are avoided, and raw materials are furnished by common agencies. The idea is to stimulate each company, by internal competition and otherwise, to the highest pitch of efficiency.

The formal organization of the company is less interesting, however, than a review of its industrial history and position. One striking fact is the falling off, during the last ten years, in its percentage of the total steel production of the United States. In 1901 this percentage was 66.2; in

1911, 54.3. This decline may be due in part to the fact that in 1911 the Steel Corporation was operating only about 72 per cent. of its maximum capacity, and the independent steel companies were operating over 80 per cent. Yet it cannot be doubted that the independent concerns have grown faster than the combination.

This falling off does not have so important a bearing on the question as to whether the Steel Combination exercises control over prices or not as it is sometimes supposed to have. The influence of the Steel Corporation arises chiefly from the immensity of its ore supplies, and the economy with which they may be mined. It is estimated that it controls about two billion tons of possible iron ore underground. The Corporation now consumes at the rate of about twenty million tons a year and, of course, works those mines where the cost of extracting and transportation is lowest. This is an advantage over all present or future competitors which apparently places the Corporation, apart from possible legal interference, in an impregnable position.

The chief event in the financial history of the Steel Corporation is its much discussed preferred stock conversion of 1902. In April of that year, the management issued a circular to stockholders proposing a plan for securing $50,000,000 new capital and at the same time effecting a reduction in the combined charges for interest and preferred dividends. The essential point of the plan was to exchange 7 per cent. preferred stock for 5 per cent. bonds on the following basis: Each preferred stockholder was to be permitted to subscribe, up to an amount equal to one half his preferred stock holdings, to a new issue of $250,000,000 5 per cent. sinking fund bonds, and to pay for his bonds either 80 per cent. in preferred stock and 20 per cent. in cash, or 100 per cent. in preferred stock at his option.

It was expected in this way to retire $200,000,000

preferred stock and substitute $250,000,000 in bonds. A feature of the plan to which considerable objection was raised was the underwriting of the new issue by a syndicate which included some of the corporation's directors. The syndicate obligated itself to insure a total sale of $100,000,000 of the bonds, in return for which it was to have the privilege of subscribing to any of the bonds not taken by stockholders and to receive a 4 per cent. commission on all the bonds disposed of. It was objected that the directors should not participate in such a syndicate and that the commission was excessive.

To the first objection, a satisfactory answer was made by pointing out that most of the large financial houses, which would be capable of undertaking so large an underwriting, were more or less directly represented in the directorate of the United States Steel Corporation. Opinions as to the propriety of the commission charge differ. It is undeniable that the operation was risky and called for special skill and capital. The percentage agreed upon is not unusual for similar transactions. On the whole, there seems to be no adequate reason for casting doubt on the good faith of the Corporation's directors. The whole transaction, though much criticized at the time, may fairly be said to have been justified by the subsequent financial record of the Steel Corporation. The earnings have been amply sufficient to take care both of the increased interest charges and of the preferred dividend.

The enormous capitalization of the United States Steel Corporation is made up approximately as follows:

Bonded debt	$600,000,000
Preferred stock	360,000,000
Common stock	508,000,000
Total	$1,468,000,000

The common question as to how much of this capitalization is "water" may be variously answered, depending on the test of over-capitalization which is applied. There can be no doubt that the subsidiary combinations, which were taken into the United States Steel Corporation, were capitalized to a nominal value far in excess of the cost of their tangible assets. The United States Steel Corporation, in turn, issued approximately $540,000,000 of stock at its formation over and above the par value of the stock of subsidiary companies which it received in exchange. In applying the test of money value invested, therefore, there can be no question but that the United States Steel Corporation was over-capitalized. It is possible, however, that the value of the Corporation's assets may have increased since they were first acquired by the subsidiary companies to such an extent as to create a firm foundation for the combination's capitalization. That they have increased greatly is certain. Charles M. Schwab, the first president, is authority for the valuation of the unmined iron ore of the Steel Corporation at $700,000,000. If this valuation is correct, the present money value of the corporation's assets is not far removed from its nominal capitalization. The third test is the earning power of the corporation. Approximate net earnings since incorporation have been:

NET EARNINGS

1902	$133,000,000
1903	109,000,000
1904	73,000,000
1905	120,000,000
1906	157,000,000
1907	161,000,000

1908	$ 91,000,000
1909	131,000,000
1910	141,000,000
1911	104,000,000

These financial results have been even more favorable than was anticipated by independent judges at the start. Assuming that it would be fair to capitalize these earnings on a 10 per cent. basis, we get a result approximately equal to the total nominal capitalization. There has been general recognition of the far-sightedness, energy, and wisdom of the corporation's management. The directorate includes some of the ablest financial and industrial leaders of the country. The successive presidents of the corporation—Mr. Charles M. Schwab, Mr. William E. Corey, and Mr. James A. Farrell—have shown marked ability. The active head of the Steel Company, Judge Elbert H. Gary, holds a commanding position among the steel men of the world; he is conspicuous among industrial leaders for his moderation and breadth of view. When formerly president of the Federal Steel Company, he had shown marked ability and judgment in directing the affairs of one of the great "integrating" combinations. Moreover, even then, before the organization of the Steel Corporation, he had outlined in his testimony before the United States Industrial Commission the wise policies of publicity, responsibility to government and law, moderate, steady prices, consideration for public opinion that he has since exemplified in the direction of the affairs of the Steel Corporation.

Although in speaking of the Steel Corporation to-day the names of Andrew Carnegie and J. Pierpont Morgan are often not mentioned, it is not too much to say that they were—one indirectly, the other directly—its creators, and that its present success is largely due to them. Carnegie had

S. R. Guggenheim.

SOLOMON R. GUGGENHEIM

Was born in Philadelphia, February 2, 1861, fourth of the seven sons of Meyer Guggenheim. First studied mining and smelting in Colorado. He afterwards went to Mexico, where he superintended the building of the first smelter in that country at Monterey; visited Alaska, and assisted in forming the Guggenheim Exploration Co. Mr. Guggenheim is chairman of the executive committee of the American Smelting & Refining Co., president of the Yukon Gold Co., director of the American Smelters' Securities Co., the Guggenheim Exploration Co., the Utah Copper Co., the Interborough-Metropolitan Co., and other corporations.

long been known as America's greatest ironmaster. The Carnegie Company was the largest of the companies that helped form the Steel Corporation. Though Carnegie himself decided to sell his interests—at a very good price, naturally—and retire from active business, it is after all largely his principles and methods that have been followed in the conduct of the plants. The three presidents are all his "boys," whose ability he discovered and whom he trained. His system of bounties to managing heads had produced enormous salaries—over a million dollars a year in one case at least—but it had produced also unrivaled masters for profit-making. And the Steel Corporation has had the benefit. It must be said, on the other hand, that the same system is likely to prove hard on the lower grade laborers, and it is a matter of question how far the condition of long hours and seven-day weeks found a year ago at Bethlehem and elsewhere in the steel industry—now generally remedied on the initiative of the Steel Corporation—is due to that system and to the other factors accompanying it. However that may be, Mr. Carnegie's influence is still felt, though indirectly, in the steel industry, and will long remain.

Again, no other banker than Mr. Morgan had the skill and the power and prestige necessary to finance so huge a combination as to give to it and to maintain for it the public confidence needed to insure success. Mr. Morgan was always a constructive financier—not a wrecker. When he undertook an organization, the people expected—and he had given them reason to expect—fair treatment and success, and especially this is what counts in the market. This confidence was needed in the Steel Corporation. The event has proved that it was justified. As examples of the Corporation's policy, we may cite especially the profit-sharing plan, for which Mr. George W. Perkins is largely responsible,

under which twenty-five thousand employees have become stockholders; the practice of giving ready publicity to all important developments and to financial statements; and the willingness of the directorate to recognize and defer to the force of public opinion. The United States Steel Corporation through this policy has gradually overcome much of the suspicion and active hostility which its very magnitude at first aroused.

It is impossible here to do more than touch on the striking characteristics of a few of the corporations listed among the lesser combinations. The Union Typewriter, which controls five companies manufacturing standard machines, has important interests in New York State. This is a typical specialty combination, organized as a result of severe competition. The combination is estimated by Mr. John Moody to control about 75 per cent. of the American output of typewriting machines, but is by no means free from vigorous competition. It is understood to act more or less in harmony with its leading competitors, at any rate in maintaining prices. The corporation has not yet achieved financial stability, for its earnings fluctuate violently, but it is said to be progressive and well-managed.

The Malting Combination has had a checkered financial history. The American Malting Company was incorporated in New Jersey in 1897 and issued $12,500,000 preferred stock and $13,747,000 common stock in exchange for twenty-two malting plants, several located in New York State, and cash working capital of $2,080,000. In the two years following, several additional plants were purchased. The prospectus of the company was so drawn as to lead investors to expect that earnings would easily take care of the 7 per cent. dividend on preferred stock, and of an equal dividend on common stock. The full dividend on the preferred was paid for two years.

Toward the end of 1899, however, it was discovered that the company was short of cash, and the directors proposed that a bond issue be put out. As the result of protest from the stockholders, a special committee was appointed to examine the company's affairs. The committee reported, among other things, that within two years after its organization the company had accumulated a floating debt of nearly three million dollars; that dividends paid had not been earned; and that the company in general was badly managed. The result of this investigation was a partial change in management and the sale of four million dollars of fifteen-year bonds to provide additional cash. A movement for reorganization, designed to reduce the capitalization and to take care of the accumulated unpaid dividends of the preferred stock, was inaugurated. Not until 1906, however, was an acceptable plan of reorganization adopted and put into effect. Under this plan the American Malt Corporation was organized with a capital stock of $6,000,000 common and $9,000,000 cumulative preferred. The preferred stock of the American Malting Company was exchanged for the preferred stock of the American Malt Corporation at the rate of $62 of new stock for each one hundred dollars of old stock, and the old common was exchanged for new common at the rate of $44 of new stock for $100 of old stock. This plan was accepted by practically all of the old stockholders.

Combinations among trading enterprises are much less frequent than among manufacturing companies. An interesting example of mercantile combination is the United Drygoods Companies. This corporation was formed in 1909, but the combination really dates from 1901, when the Associated Merchants Company acquired a controlling interest in several large department stores. This company in turn was successor to a still earlier alliance of wholesale

and retail drygoods interests under the lead of the H. B. Claflin Company. The combination is another expression of a general tendency on the part of wholesale houses to enter the retail field. By so doing, they entrench themselves against competition and establish their own outlets for the goods which they handle. From the other side appears a similar tendency; that is, the great retail stores which buy in large quantities often find it profitable to enter the wholesale field, thus coming into direct competition with the wholesale houses and shutting off some of their chief markets. Since 1901, Mr. John Claflin, through the companies which he controls, has purchased and developed retail stores. Under his guidance this policy has proved profitable. The United Drygoods Companies has more than fulfilled the predictions of its organizers.

The experience with industrial combinations in New York State has not been essentially different from the experience of other States and of foreign countries. Here, as elsewhere, two extreme parties have been conspicuous—one advocating the destruction, or at least the severest regulation, of trusts, the other demanding further protection for trust property and privileges. Both these parties, fortunately, are losing their holds on public attention. The moderates, believers in business progress and development and in combination under sane governmental supervision and in the light of full publicity, are making themselves felt. The difficult problem is that of keeping industrial combinations within the bounds of honesty and of respect for other people's rights, without at the same time interfering with industrial efficiency. In the world-wide struggle for markets, the American manufacturer and trader, our people recognize, must not be seriously handicapped. On the other hand, he must not be left entirely free to oppress or attack his neighbors as he sees fit. There

seems to be no good reason why the ideal of intelligent regulation without unnecessary interference should not be reached.

The effects of industrial combinations on prices and wages have not proved so harmful as was generally anticipated ten or fifteen years ago. In a few instances new-formed combinations have attempted to justify their existence by arbitrary increases of prices. This policy, notably in the case of the Whiskey Trust, awakened so much hostility and so obviously invited fresh competition that its unwisdom is now apparent to every one. Most of the combinations have contented themselves with endeavoring to effect economies in production and, at the same time, maintain good prices. When this policy is combined with fearless publicity, the normal result is to disarm hostile criticism. The record of the American combinations, on the whole, in spite of special exceptions, in avoiding and settling disputes with labor organizations is remarkable. Nor has industrial peace been secured at the laborer's expense. On the contrary, wages have been adjusted from time to time by voluntary agreement between the two parties. It has been often shown that organized labor, on the one side, and organized capital, on the other side, when both are headed by reasonable and far-sighted men, can agree.

Industrial combinations are not entitled, by any means, to unstinted praise. Many of them have been selfishly and foolishly conceived and managed. There have been many instances of oppression and unfair measures in competition, though no more than among smaller rivals. The tendency is for the survival and growth only of those combinations which possess "a decent regard for the opinions of mankind," and a sense of moderation which governs their dealings with their business associates, their employees,

and the public. On the credit side of our account with almost all industrial combinations must be placed their influence in raising the standards of industrial and commercial efficiency. The natural tendency has been to bring to the leadership of the combinations the best equipped and most progressive men. These men have taken the lead in the movement toward better organization of business and better training for executive positions. Perhaps the best thing that can be said of industrial combinations, both in New York State and elsewhere, is that though they make it hard for the small man to succeed independently, they offer a great opportunity to men of first-rate ability and training.

GEORGE BRUCE CORTELYOU

Ex-Secretary of the Treasury; born New York City, July 26, 1862; son Peter C., Jr., and Rose (Seary) Cortelyou; graduated Hempstead (L. I.) Institute, 1879; State Normal School, Westfield, Mass., 1882; LL.B., Georgetown University, 1895; LL.M., Columbian (now George Washington) University, 1896, LL.D., Georgetown, 1903; Ky. Wesleyan, 1905; University of Illinois, 1905. Married Lily Morris, daughter Dr. Hinds, president Hempstead (N. Y.) Institute, September 15, 1888. General law and verbatim reporter, New York, 1883–85; principal of preparatory schools, New York, 1885–89. Entered public service, 1889, and was private secretary to various officials, including post-office inspector at New York, Surveyor of the Port of New York, and fourth assistant postmaster-general. Was made stenographer to the President, November, 1895; executive clerk, February, 1896; assistant secretary to President McKinley, July 1, 1898; private secretary, April 13, 1900; reappointed by President Roosevelt, September 16, 1901. Was Secretary of Commerce and Labor, February 16, 1903, to June 22, 1904; Postmaster-General, March 7, 1905, to March 4, 1907; and Secretary of the Treasury, March 4, 1907, to March 8, 1909, in cabinets of President Roosevelt; was chairman Republican National Committee, 1904–07; president Consolidated Gas Co. of New York, since March 9, 1909, and director of leading corporations.

CHAPTER VII

THE CRISIS OF 1907

BY GEORGE B. CORTELYOU[1]

THE better perspective afforded by the lapse of several years has resulted in the causes of the panic of 1907 being very generally understood. Economists differ to a certain extent on the relative importance to be attributed to the four great underlying influences which combined to bring on the trouble; but on the question of what these influences were, there is pretty general agreement.

In the first place, there was the conversion of capital into fixed forms which took place on a tremendous scale in the period between the closing of the last century and the crisis of 1907. In the second place, there was the speculation which naturally attended the immense capital creations of that time—a speculation which was not confined to the United States but spread over the entire world. In the third place, there was the great expansion of bank credit by which this speculative movement was naturally attended, and which, by the beginning of 1907, had gone beyond all reason. The fourth, and last, of all the causes was the absorption of something like three billion dollars of capital as a result of three costly wars.

[1] In preparing this chapter, I have availed myself freely, with the consent of the publishers, of the chapter on the same subject in Mr. Charles A. Conant's *History of Modern Banks of Issue*, fourth edition, G. P. Putnam's Sons, 1909; and of my own official reply to Senate Resolutions of December 12, 1907, Senate Document 208, Sixtieth Congress, 1st Session.—THE AUTHOR.

How great was the conversion of capital from floating into fixed forms is well remembered by those who went through the period. At the end of the nineteenth century, it will be recalled, the United States was emerging from a period of business depression. Its closing years saw the trust-movement well under way, but it was only at the very end of the century that the really big movement toward issuing new securities got fairly started. From 1898 on, the formation of one big company after another took place, many of them having a capitalization unheard of only a few years before. In rapid succession, one industry after another went through the process of combination, a great volume of bonds and preferred shares representing actual value being supplemented by a volume of common stock representing little more than anticipated earning power and good will.

By no means was this movement toward the corporate form of doing business, and the combination of enterprises already conducted in that form, confined to the United States. In England, Germany, and France, the same tendency was strongly marked and while, perhaps, there is no parallel anywhere for our own record of a billion dollars' worth of new securities created yearly for several years in succession, the aggregate of the new bonds and stocks put out was extremely large. How large can be seen from the following table, based upon figures taken from the *Moniteur des Intérêts Matériels*, showing total issues of all classes of securities:

Issues of New Securities, 1896–1906

Year	Total issues	Conversions	Net new demands for capital
1896	$3,227,359,071	$1,465,451,600	$1,761,907,451
1897	1,852,173,846	132,182,873	1,719,991,013
1898	2,034,766,348	316,530,453	1,718,235,895

Year	Total Issues	Conversions	Net new demands for capital
1899	$2,175,823,434	$120,873,970	$2,054,949,464
1900	2,289,642,963	.....	2,289,642,953
1901	1,917,916,282	.....	1,917,916,282
1902	3,597,489,052	1,639,921,000	1,957,568,052
1903	3,534,248,906	1,687,729,387	1,846,519,519
1904	2,785,138,525	353,445,223	2,431,693,302
1905	3,688,124,622	323,487,879	3,364,636,743
1906	5,126,000,000	2,001,000,000	3,125,000,000

These figures show that, while new demands for capital were comparatively uniform from 1896 down to 1903, they increased greatly during the next three years. Hence came the strain which was felt in the market for capital in Great Britain and Germany as well as in America. In the United States, issues of the negotiable securities of corporations—stocks and bonds—multiplied much more rapidly than the total mass of tangible physical property, whose value was computed in 1904 at $107,104,211,917. This increase in security issues gave an appearance of fluidity to the capital of the country, which was in some respects deceptive. While securities are themselves readily negotiable under normal conditions, they represent fixed capital and not circulating capital. Stocks constitute the titles to shares in permanent investments, like railways, factories, and buildings. Bonds usually represent the obligations which have been issued to acquire fixed capital and are secured by mortgages upon railway mileage, factories, and buildings. The conversion of circulating capital into these fixed forms proceeded at a remarkable rate after the recovery from industrial depression about the year 1900. Careful calculations show the principal securities outstanding in the United States even in 1905 to have

been about $35,000,000,000 par value. Among the chief items were the following:

PAR VALUE OF OUTSTANDING SECURITIES IN THE UNITED STATES, 1905

Class of Securities	Par Value
Government debt	$ 3,265,000,000
Steam railways	12,600,000,000
Street railways	3,200,000,000
National banks	800,000,000
Other banks	650,000,000
Manufactures	6,800,000,000
Mining, oil, etc	3,300,000,000
Other classes	4,385,000,000
Total	$35,000,000,000

The amount of securities outstanding throughout the world as early as 1900 was estimated at about $110,000,000,000, or more than the entire wealth of the United States. Great Britain was credited with $26,400,000,000, or $616.97 per capita; France with $19,500,000,000, or $500.95 per capita; and Germany with $10,000,000,000, or $177.41 per capita. To these amounts important additions were made during the following seven years. In Great Britain alone, issues of new capital were estimated for the five years ending with 1904 at $3,454,978,975, but this included a considerable amount in foreign securities offered on the London market. In the United States, calls for new company capital were computed for 1904 at $1,003,542,200; for 1905, $1,694,187,211; for 1906, $2,307,970,000; and for 1907, $1,459,325,000. Into Russia was poured in a few years French capital to the amount of at least $200,000,000.

Coincident with these issues of new securities occurred

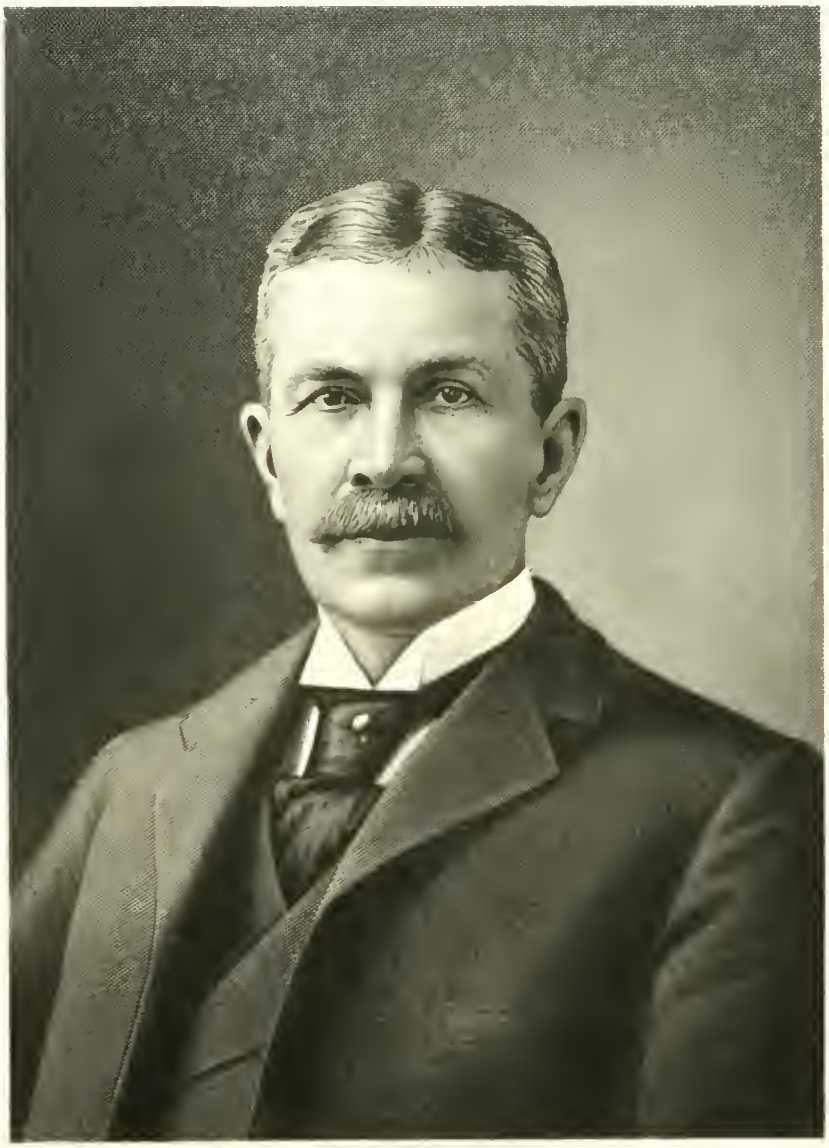
a speculative movement of great breadth and magnitude. Naturally, during the flotation of the securities of the new combinations, earning prospects were fully exploited and the public was imbued to the greatest extent possible with the idea that large profits were to be realized as a result of more concentrated and economical management. Launched one after another, these combinations added fuel to the speculative flame, so that before the movement had been in progress for more than two or three years the speculative tendencies of the public were thoroughly aroused and people who never before had had the slightest interest in securities were freely buying these new shares and bonds. A glance at the record of transactions on the New York Stock Exchange during the opening years of the present century in comparison with transactions just before the panic shows clearly to what extent general public interest in the market had increased.

The speculative field was widened in the United States by the conversion of private manufacturing enterprises into stock-companies and the grouping of these companies by consolidation into dominating factors in their special industries. Large issues of securities for "good will" became necessary in order to acquire properties which might otherwise prove dangerous competitors, and the securities thus issued became the subject of active speculation on the stock exchanges. Already as early as 1900, the number of industrial companies classified by the Census as "combinations" was 183, with capital actually issued to the amount of $3,085,200,868. By the year 1904, the amount of capital, including bonds, of 305 "industrial trusts," was estimated at $6,717,791,533.

It was inevitable that the conspicuous creation of such a mass of new securities should draw into the maelstrom of speculation a new public which had not been there before,

that prices of securities should be forced by extravagant expectations to heights not warranted by real value, and that the market should react violently under every sudden gust of adverse influence. Such a reaction, of extreme violence, took place on the 9th of May, 1901, due to a struggle for control of the Northern Pacific Railway between rival interests, which led to a rapid advance in the stock and large "short" sales. But it was a storm which soon passed. The buyers of the cornered stock accepted a moderate settlement by the "shorts," prices of securities promptly recovered, and the day after the panic money was loaned as low as three per cent.

Speculation raged vigorously through the year 1902 but received a serious check in 1903. Prices of securities, both railway and industrial, had reached a height which repelled the public and imposed caution upon the banks. In February, 1903, began the decline in the price of pig iron, which was not checked until from $24.25 per ton, it had fallen by successive stages to $15.50 in November. Inevitably, the profits of the Steel Corporation declined, the price of its common stock fell from $39\frac{7}{8}$ to 10, and that of the preferred shares from $89\frac{3}{4}$ to $49\frac{3}{4}$, and in the autumn it became necessary to suspend the dividend on the common stock. Other industrial shares suffered in like proportion, and at times during the summer of 1903 grave results were feared for the entire market. The fall in quotations for iron was due in large measure to the restriction of orders by the railways, which were influenced primarily not by the decline of business, but by the scarcity of capital. When it was found that bonds issued at low rates for long terms of years could not be sold to advantage, recourse was had in many cases to notes, running for only two or three years, and paying, over these short periods, a much higher rate of interest than bonds. A large volume



R. S. Faulkner

AUGUSTUS D. JUILLIARD

Merchant and capitalist; senior member of A. D. Juilliard & Co. Director Chemical National Bank, National Bank of Commerce, The Bank of America; trustee Mutual Life Insurance Co., New York Life Insurance & Trust Co., Title Guarantee & Trust Co., Central Trust Co., Guaranty Trust Co. of New York; director Atchison, Topeka & Sante Fé Railroad, North British & Mercantile Insurance Co. of New York, and Realty Associates. President of the Metropolitan Opera & Real Estate Co.; governor New York Hospital; trustee American Museum of Natural History; member Chamber of Commerce since 1875; member of leading clubs and prominent in charitable and civic work.

of new securities, however, was still undistributed in the hands of rich men and powerful syndicates, and their heavy losses led to the designation of the long period of liquidation as "the rich man's panic." By skillful support of the market, so that the decline in prices was spread over several months, the worst consequences of the crisis were averted. The industrial depression proved only temporary, and by the summer of 1904 speculation for the rise was resumed, and continued, with varying fortunes, until the latter part of 1905.

The year 1906 saw the culmination of this great speculative movement. It was the time when most unexpectedly the dividend on Union Pacific was raised from six to ten per cent. and an initial dividend of five per cent. was declared on Southern Pacific. These circumstances were taken full advantage of, and the speculative fever was fanned into as hot a flame as possible. Rumors of coming deals and of the cutting of all sorts of "melons" were freely circulated, and everything was done to induce the public to go into the market and take part of the load from the shoulders of those who were carrying stocks at the then exceedingly high prices.

In the midst of the campaign for the rise the supply of funds ran low and recourse was had to borrowing in the foreign market. There is a great deal of exaggeration, without doubt, as to the extent to which the market was financed with foreign money, but there is no doubt that the accommodation secured in London and Paris ran into hundreds of millions. Even with the accession of this fresh supply of ammunition, however, those in control found themselves face to face with a constantly rising rate for money. In the fall, European bank-rates were all advanced to record figures, and on this side call-money reached 125 per cent.

The years of active speculation preceding the panic naturally saw an enormous expansion of bank-credit. The flotation of all these new securities and the speculation by which the process was accompanied were a heavy strain upon the credit resources of the country. As each new issue of stocks and of bonds was made, it was necessary for the underwriting syndicates to borrow millions of dollars in order to carry the load, and in many cases, where the marketing of the securities was not readily effected, it was necessary to continue these borrowings for a very considerable time. The speculative activity by which these years were marked also imposed a heavy strain upon the banks. In spite of the large participation of the public in the stock-market from 1900 to 1907, the bulk of the operations carried on was conducted by strong interests relying absolutely upon supplies of money borrowed from the banks. Time after time, during these years, the available supply was used up and it was necessary to go into the foreign markets for accommodation. That happened at the end of 1902 and, as we have seen, it happened in an even greater degree in the summer of 1906. The period was one of almost continuous expansion, and, finally, of inflation. Writing of these conditions, Joseph French Johnson, in his able treatise entitled *The Crisis and Panic of 1907*, says:

"In 1897 the cash reserves of commercial banks and trust companies in the United States amounted to about eighteen per cent. of the net liabilities. Thereafter there was a steady decline until 1907, when the cash reserve had dwindled to ten per cent. Mr. Mühleman in a new edition of his *Monetary and Banking Systems*—a most intelligent and satisfactory manual of financial statistics—gives on page 107 a table showing a decline in total bank reserves from 17.9 per cent. in 1897 to 11.3 in 1907. In the same table he shows that the amount of money and bank deposits

'in the hands' of the people increased during this period from $4,000,000,000 to over $11,000,000,000. The decline in the ratio of banking reserve was due principally to two circumstances: (1) the growth of trust-company deposits, supporting which there was a reserve of barely five per cent.; (2) the relatively smaller cash reserves kept in the country banks, many of these institutions having been tempted by high rates of interest to invest heavily in call loans and time-paper in New York City. It is true that the amount of cash in the vaults of country banks increased after 1897, yet their liabilities grew in greater proportion. This decline of the country's banking reserve is regarded by some as a sufficient explanation of the crisis. In my opinion, however, it can be regarded merely as evidence that the lending power of the banks was severely strained, and that any further great extensions of credit were therefore impossible. The country's low bank reserve in 1906 certainly meant that the country's business could not go on booming and expanding as it had done in the preceding years, but it did not necessarily presage disaster. The situation, however, was bad enough to make every conservative man careful as to his ventures. If in 1906 the banks of the country could have had competent leadership and could have been made to see the necessity for the careful husbanding of their resources and for the restriction of their advances upon high-priced collateral, the year 1907 would probably have passed without any great financial shock or serious loss to business interests. Unfortunately, however, there was no leader.

"Another weakness in the banking situation lay in the relative decline of the ratio of capital and surplus to liabilities. The banking laws in this country do not require that a bank's capital shall bear any definite relation to the amount of its liabilities, yet from some points of view such

a requirement would be more reasonable and more useful than the well-known reserve requirements. As a result, our banks are in the habit of expanding their business without regard to the amount of their capital investment, the latter seldom being increased except when the directors believe that in this way the institution can win greater favor with the public. After 1897 there was considerable increase in the total of banking capital and surplus in the United States, but it was not proportionate to the immense expansion of banking liabilities."

From 1897 to 1907, a new element of weakness was injected into the situation by the great development of trust companies and State banks, without any proper correlation to the national banking system. These State institutions were not only not required to keep adequate reserves, but even the reserves required were permitted to be kept in bank notes. Thus their deposit and credit operations were capable of expanding to enormous proportions without any definite relation to gold. And such an expansion actually occurred. Within seven years, from 1900 to 1907, total liabilities of State banking institutions and trust companies expanded by more than five thousand millions of dollars, while cash reserves expanded by only about $171,000,000, and national bank-note issues expanded by about $440,000,000. As these bank notes are secured by evidences of the public debt and not to any appreciable extent by gold reserves, it becomes apparent how one form of credit was built upon another, until the whole fabric became a house of cards which a zephyr might topple in ruins.

And to this fragile nature of the structure was added the fact that there was no refuge to which to look in time of storm, like the central banks of Europe, nor even a system of coöperation for guarding against a common

danger. For the national banks, and a few of the State banks of New York City, there did indeed exist the Clearing-House Committee, and through its existence it became possible to take certain steps to avert shipwreck after the storm had reached its worst; but among the trust companies there was not even this slender bond of union. When the Clearing House required of New York City trust companies, early in 1903, that they should gradually accumulate ten per cent. in cash reserves against their demand deposits, they withdrew from the Clearing House rather than comply with the requirement; and they made no move to secure reinstatement after the State Legislature in 1906 required of all such companies a reserve of fifteen per cent., of which only one third, however, need be in cash, and the other two-thirds might be respectively on deposit in other banking institutions or invested in prescribed securities. In this position of expansion and of isolation, therefore, the trust companies stood when the storm of 1907 broke, adding a portentous burden to the structure of credit sustained by the reserves of the national banks, upon which the entire structure thus ultimately rested.

However much economists may disagree concerning the influence upon prices of the production of gold, there is no doubt that the way in which such production increased during the ten years ending with 1907 had much to do with the expansion in bank credit which preceded the crisis. The average annual production of gold for the twenty years ending with 1890 was $110,544,000. Then for the twelve years ending with 1902 came an annual average production of $221,635,000. The total production during these twelve years was $2,659,624,000, which was nearly 30 per cent. of the total production for the long span of four centuries ending with 1890. The production of the next five years

exceeded $1,850,000,000. Official estimates for these five years are as follows:

GOLD PRODUCTION OF THE WORLD, 1903–1907

Year	Value
1903	$327,702,700
1904	347,087,300
1905	380,288,700
1906	402,503,000
1907	412,966,600
Total	$1,870,548,300

When this prodigious total for five years is added to the production of the previous twelve years, a total is obtained for seventeen years of $4,530,172,300. Thus, within less than twenty years, production reached an amount equivalent to more than half of the entire production of the preceding four centuries. Even these figures do not reveal the increase in the proportion available for money, which bore a much greater ratio to the preëxisting stock. The amount required for the arts increased from year to year, but did not keep pace with the ratio of production. If in 1890 about $60,000,000 was absorbed throughout the world for industrial purposes and the arts, only about $50,000,000 of the annual product was left available for additions to the monetary stock; while in 1906, even with a consumption in the arts estimated at $121,601,200, the amount left available as money was about $280,000,000, or more than five times the average of the years ending with 1890.

It would be natural, under any theory of money, that this great addition to the monetary stock should have an influence upon prices and the condition of credit. Fundamentally, it is the supply of other things than gold which determines the ability of a community to build railways,

THE OLD MORGAN OFFICE BUILDING

The Drexel Building, better known, perhaps, as the Morgan Office Building, at 23 Wall Street, was closed soon after the death of Mr. Morgan on March 31, 1913, and has since been pulled down. Arrangements had already been made before Mr. Morgan's death to take offices temporarily in the Bankers' Trust Building, at 14 Wall Street, pending the erection of a new building on the old site. The old building was a seven-story marble structure, with French or mansard roof, completed in 1873. Mr. Morgan was long reluctant to abandon the old structure, which continued to belong to the Drexel estate until purchased by the Morgan house in the spring of 1912. A part of the site, on the corner of Wall and Broad Streets, was purchased by Mr. Drexel in 1872 at a trifle over $348 per square foot,—a price which created a sensation in Wall Street at the time. Additional land has been acquired for the new structure, which will be seven or eight stories in height, but with foundations sufficiently strong for the erection of additional stories if required. The cost of the building will be from $1,500,000 to $2,000,000.

houses, and factories. It requires rails and steel beams, machinery and labor. But the fact that these can, under normal conditions, be obtained for gold obscures the importance of the part they play, until the community is brought face to face with scarcity of supply in relation to demand or with scarcity of consumable goods necessary to the ordinary processes of life. The influx of new gold into bank reserves tends, other things being equal, to stimulate speculation in both securities and goods, whence may occur a rise in prices. The fact that the problem remains essentially one of capital and credit rather than of the stock of gold was demonstrated, however, by the conditions of the crisis of 1907. In spite of the outpour of gold from the mines at a rate never equalled or approached in the history of the race, demand outran supply, the new gold did not offset the maladjustments of capital, and the money markets found gold an unsatisfying aliment when what was required was more capital in forms adapted to the continuance of production.

The effect of this great expansion of loans made itself felt in every part of the world. Long before the final crash there were many signs of weakness. To enumerate them all is unnecessary—some of the striking cases are sufficient to illustrate. In Russia, newly dowered with the gold standard by the skill of Count Witte and encouraged by the consequent influx of foreign capital, prices rose rapidly in 1898 and 1899. The far-sighted Minister of Finance gave a warning in vain, early in the latter year, to the bankers of St. Petersburg of the danger of locking up their resources in speculation. The Bank of Russia was compelled to come to the rescue of the market, and on September 23, 1899, there was a crash in bank shares and industrial securities which carried them down by from 20 to 50 per cent.

The loss of capital in Russian enterprises had its reaction in Germany and Belgium, whence much of the money for these enterprises had come. In Germany, efforts to maintain high prices for iron and coal were made by the large syndicates by curtailing production, but they were only partially effective. Banks which had tied up their capital in new industrial projects found themselves unable to fulfill their obligations. Two mortgage banks failed in the autumn of 1900, because they had been speculating in real estate through subsidiary companies. The failures caused a panic in mortgage bonds, which was most acute in the case of two companies—the Bank of Pomerania and the Mortgage Bank of Mecklenburg-Strelitz. Bonds of the former fell from 98¼ to 77, and of the latter from 100 to 49; but the discount banks came to their aid and they were saved from failure.

On the heels of the mortgage bank failures came difficulties in two large institutions of a different character. One of these, the Dresdner Creditanstalt, was aided temporarily by other institutions, but was eventually compelled to liquidate. The other, the Bank of Leipzig, with a capital of $12,000,000 and 12,000 depositors, went down at once. To a single industrial syndicate, the Trebertrocknung Gesellschaft, advances had been made under various accounts to the amount of $21,000,000. The head of the Leipziger Bank was refused aid when he sought it at Berlin, in spite of the fact that its failure was sure to cause pressure upon other institutions. A serious run followed upon the banks of Saxony, and some small institutions and many industrial companies went into liquidation. Much money was lost in tramways and other electrical enterprises. Of 443,550,000 marks ($106,000,000) in nominal capital for twenty-one companies, most of the shares being quoted far above par, there were losses in

market quotations between January 1, 1899, and October 15, 1901, which amounted to 270,810,000 marks ($64,500,000), or 61 per cent. of the earlier quotations.

The fourth important influence which operated to bring on the panic was the dissipation of capital as a result of the three wars which took place during the ten years preceding the panic period—the Spanish–American War, the Boer War, and the Russo–Japanese War. That the great expenditures attending a war create activity in certain industrial lines is, of course, true, but students of economic conditions are all agreed that the wasting of capital in an unproductive manner has a strong tendency toward raising the rate of interest. If the thousand dollars which the small man has in his bank, available for the uses of commerce and industry, is invested in a government bond issued for the purpose of helping to carry on a war, the money is consumed in an unproductive use. And this happened on a tremendous scale during the progress of the three wars which occurred between 1898 and 1907.

The war in South Africa cost the British Government nearly $800,000,000 and resulted in loans to the amount of nearly $600,000,000. The effect was severely felt in the money market in restricting the supply of capital for other classes of investments. Especially was the issue of large quantities of new securities felt upon the price of British consols. Quotations had been as high in 1896 as 114¼. The reduction of the interest rate from 2¾ to 2½ per cent. took effect in 1903 and had some influence in depressing prices, but the influences which were most potent in carrying down consols to a minimum price of 91 in 1901, and 80¾ in the autumn of 1907, were the great demands for capital and the increase in the amount of consols on the market.

The war between Russia and Japan began in February,

1904, and hostilities practically ceased in June, 1905. The attack of the Japanese upon the Russians was followed by a serious break in the markets of Paris and Berlin, but partial recovery soon took place. The estimated cost of the war to Russia was about $840,000,000, but this did not represent the disbursements after the peace. The cost to Japan, up to the close of 1906, was officially calculated at about $1,000,000,000. The war between Spain and the United States in 1898, though of minor importance, cost the United States about $165,000,000, and for a time seriously impaired Spanish credit. Thus, in these several conflicts in arms were expended not less than $2,800,000,000, making demands upon the savings of the world equal to more than the usual output of all classes of securities for an entire year.

The outward signs of these causes which operated finally to bring about the crisis of 1907 were visible at least a full year before, but the warning was not generally heeded. Proof of this is afforded by what happened in the stock market during the first quarter of the year. The speculation at the end of 1906 had gone over into the beginning of 1907, which found the floating supply of stocks concentrated in the hands of the strongest interests in the country. There is no longer much mystery about the "silent" panic of the middle of March. It is generally realized now and admitted that the complete drying up of the springs of capital took those who were carrying the bulk of stocks entirely unawares, and forced upon them a liquidating movement almost without parallel in stock market history. The ordinary investor remembers "1907" by the smash in the stock market which took place in October and the suspension of banking facilities by which it was followed. Many of the strongest and richest men in the country remember 1907 rather by the cruel losses which were

inflicted upon them in the March smash, six months before the real panic occurred. Caught unawares, they were compelled to jettison great masses of stocks at prices which, in the case of many prominent issues, were almost as low as those reached when the main crisis later on in the year was at its height.

Events during the early summer were not encouraging to the market. The government prosecutions of corporations culminated in the fine of $29,240,000 imposed upon the Standard Oil Company of Indiana, upon 1462 counts, for rebating. The scarcity of capital was indicated by the failure of bond offerings by leading cities whose credit was above reproach. On August 9th, an offer by the city of Boston of $4,000,000 in 4 per cent. bonds brought bids for only $200,000. Three days later an offer by the city of New York of $15,000,000 4 per cents brought bids of only $2,713,815, at par. The market recovered slowly and fitfully for a time, but suffered another downward movement in July and August, which carried prices in some cases below the level of March. Even after these events, however, although it was known that many individuals had suffered seriously and that loans had been called in large amounts by the banks, there was no important bank failure and no indication of serious disaster until the middle of October.

As in most panics, the crash came suddenly and at an unexpected moment. It began through the inability of certain persons who were speculating in copper stocks to continue the operations which they had been carrying for a rise. A fall in the price of copper metal affected adversely most of the copper securities. Under the misapprehension that a corner had been created in United Copper, quotations were run up in a few days from 37 to 60. All the stock bought by the bull pool, with a view of squeezing the

bears, was delivered to them. The brokers found themselves unable to pay for it, the stock dropped on October 16th to 10, and it soon developed that a chain of banking institutions had become deeply involved in their operations. The result was that several banks—the Mercantile National, the National Bank of North America, the New Amsterdam National Bank, and a few smaller ones—appealed to the Clearing House Committee for aid in meeting the adverse balances which confronted them at the Clearing House.

These conditions afforded an opportunity for the more conservative bankers on the committee to accomplish what they had long desired—the elimination of a certain group of speculators from American banking. The latter were notified that the resignations of officers and directors must be placed in the hands of the Clearing House Committee, and new officers appointed, if aid was to be extended. There was nothing to do but to comply with this demand. New officers were appointed, and the institutions endeavored to continue doing business. On Monday night, October 21st, however, application for aid was made to the Clearing House Committee by the Knickerbocker Trust Company, the third largest trust company in New York, having deposits of nearly $60,000,000. It developed that its assets were to a considerable extent locked up in enterprises which could not be immediately liquidated, and that the president had been in close business relations with the controlling spirits in the National Bank of North America. The National Bank of Commerce, which attended to the clearings of the Knickerbocker Trust Company, finding a heavy unsettled balance against the company, refused to clear for it, and, after a run in which about $8,000,000 were paid out, the company, on October 22d, closed its doors.

The next morning began a run upon the Trust Company of America, also having deposits of nearly $60,000,000,

Seth M. Milliken

SETH MELLEN MILLIKEN

Capitalist; born in Poland, Maine, January 7, 1836; son Josiah and Elizabeth (Freeman) Milliken; educated in public schools, Hebron Academy, and Yarmouth Academy; married in 1874, Margaret L. Hill. Began business life at Minot, Maine, in 1856; in 1866 founded, with William Deering, and is now senior member, the firm of Deering, Milliken & Co.; president and director Cowan Woolen Co. (Maine), Dallas Mfg. Co. (Ala.), Farnsworth Co. (Maine), Gainesville Cotton Mills (Ga.), Great Falls Woolen Co. (N. H.), Madison Woolen Co. (Maine), Pondicherry Co. (Maine); trustee Bowery Savings Bank, Colonial Trust Co.; director Albeville Cotton Mills (S. C.), Cascade Woolen Co. (Maine), Darlington Mfg. Co. (S. C.), Drayton Mills (S. C.), Fidelity Bank, Forest Mills Co. (Maine), Hartsville Cotton Mill (S. C.), Laurens Cotton Mills (S. C.), Lockhart Mills (S. C.), Lockwood Co. (Maine), Mills Mfg. Co. (S. C.), Monarch Cotton Mills (S. C.), Pacolet Mfg. Co. (S. C.), Poland Paper Co. (Maine), and other corporations. Was Republican Presidential elector, 1892.

which proved to be the most serious run ever made upon a banking institution without destroying it. Within about two weeks the sum of $34,000,000 was paid in cash to depositors and in settlement of checks presented by other banking institutions. A run also began upon the Lincoln Trust Company, which reduced its deposits within a short time from about $20,000,000 to about $6,000,000.

Under the strain of panic and the rigidity of the currency system, American banking broke down as it had done in 1857 and 1893. On Saturday, October 26th, the New York Clearing House Committee decided upon the issue of Clearing House certificates on the following Monday, and on the same day payment of checks in currency was generally suspended at the New York banks, and the same policy was adopted by banks throughout the country. Clearing House certificates were issued directly by Clearing House committees in leading cities. The amounts issued at the principal cities were: New York, $100,000,000; Chicago, $37,505,000; Philadelphia, $13,295,000; Boston, $11,995,000; St. Louis, $12,965,000; Pittsburg, $5,855,000; Baltimore, $2,520,000; Milwaukee, $3,260,000. In Pittsburg and many other cities, certificates or checks of small denominations were issued for general circulation. In Pittsburg the Stock Exchange was closed, and in several Western States bank holidays were declared by the governors.

These measures did not entirely allay alarm, and deposits in many banks and trust companies in New York continued to be withdrawn and hoarded in currency. The refusal of the banks to pay currency for checks caused a so-called "premium on currency," which rose as high as 4½ per cent., and was for a considerable time at 3 per cent. It was estimated that during October and November not much less than $25,000,000 in currency was sold by brokers in

the financial district for checks. Almost immediately, also, the New York banks began to feel the strain of the demand from their correspondents in the interior for the return of their reserve deposits. It was calculated that from the beginning of the panic to the close of December about $296,000,000 in currency was absorbed throughout the country, and that of this sum $218,000,000 passed through the banks of New York.

The actual breaking of the storm found the officials of the Treasury Department very much alive to the situation and ready to afford whatever relief was possible. As early as August, the Secretary of the Treasury, realizing that the monetary situation was gradually becoming more threatening, took the unusual step of making weekly deposits in banks in all sections of the country with a view to facilitating the fall movement of the crops, by anticipating the demand for currency that accompanies such movement. Beginning on August 28th, and continuing each week until October 14th, deposits were allotted to various banks to a total amount of $28,000,000, covering forty-six States and Territories. Every effort was made so to distribute this fund that it would meet actual needs in sections where business activity was at the maximum and currency was most urgently needed. To the extent that it was possible to apply it, this relief saved the New York banks the additional burden always thrown upon them at the crop-moving period.

In order to meet the demand for currency by the institutions which were subjected to pressure, the Treasury Department forwarded to New York within three days about $36,000,000 in small bills. While these were not in all cases used in making direct deposits of public moneys in the banks, they were available at the Subtreasury for any banking institution which desired to obtain them in exchange

for bills of larger denomination or for coin. At a later date, gold coin was paid in many cases, at the request of certain institutions, because they found that payment of coin to depositors tended in a measure to discourage runs. It was not because the coin was preferred to notes; on the contrary, it was because depositors did not desire to be burdened with taking away the coin, and would have preferred notes of large denomination. It is, indeed, a source of gratification that at no period of the crisis was there the slightest suspicion of the integrity of the currency issued either by the Government or by national banks. The effect of the law of March 14, 1900, in creating an adequate gold reserve and providing necessary measures to replenish the reserve in case of need, so completely set at rest any distrust of the exchangeability of all forms of paper for gold that the subject was hardly mentioned anywhere, except as a cause of congratulation upon the effects of the Gold Standard Act. The transfer of large amounts of gold from the Treasury to the banks made it necessary to run the mints at high pressure in order to comply with the requirements of the act of March 14, 1900, that not more than $50,000,000 of the legal gold reserve of $150,000,000 should be kept in bullion. There was at no time any disposition to convert any form of government paper into gold because of any question as to safety of the paper, nor was there any disposition to present gold certificates for redemption in gold coin.

While the action of the Treasury Department in placing large sums in the national banks in New York was subjected to some criticism, it was amply justified by the conditions as they then existed and as they have been disclosed in the light of subsequent events. Figures show that the national banks in New York did not retain in their own keeping the public moneys received, but were enabled

through their extended relations as reserve depositories with banks of all classes throughout the country to employ these moneys to meet a large proportion of the calls made upon them.

An examination of the deposits made by the Treasury in the banks, from time to time, commencing in the middle of October, will show that as the stringency progressed the Treasury gave relief in every important locality where assistance seemed to be required. Some of the more important deposits were as follows: New York, $35,000,000; Chicago, $3,000,000; Pittsburg, $1,500,000; Cincinnati, $1,500,000; Minneapolis and St. Paul, $500,000; and in many places in the South and West, the public revenues, which ordinarily would be remitted to the various sub-treasuries, and thus taken out of circulation, were allowed to accumulate in national bank depositories.

Obviously, when the pressure was focused to the extent which has been set forth on the financial center of the country, it seemed advisable to focus relief there also. The national banks of New York City held on August 22d only $28,253,386 in deposits of public money, aside from certain balances of disbursing officers, or considerably less than 3 per cent. of the national banking capital of the city. The United States deposits in national banks in all other places were about $115,000,000, or more than 12 per cent. of the national banking capital of the remainder of the country. It is plain, therefore, under the policy of recalling the public funds which was inaugurated in the spring, that the national banks of New York were not favored with any large proportion of public moneys, but, if any unintentional discrimination was shown, were treated less favorably than the banks of other sections of the country.

While the Secretary of the Treasury felt compelled, in order to meet the exigencies of the situation, largely to

increase deposits in the banks of New York City, even the proportion left in their custody after the panic had subsided was smaller than the proportion in certain other cities and States. A table of the distribution of government deposits on December 7, 1907, by States and by sections of the Union, shows that the amount of public deposits on that date in the entire country was $222,352,252, which was 15.3 per cent. of national banking capital and surplus, amounting to $1,451,296,366. While the banks of the State of New York appear as holders of public moneys to the amount of 26.8 per cent. of their capital and surplus, the banks of the New England, Eastern, and Middle Western States, taken as a whole and including New York, show a proportion of deposits to capital and surplus of only a little more than 15 per cent. The banks of the Southern, Western, and Pacific States, on the other hand, show a proportion of nearly 18 per cent. With the elimination of New York from the Eastern group, the percentage of the remaining Eastern and Middle Western States is only about 11.2.

These public funds were distributed among 1421 national banks. The object, of course, in distributing public money is not to afford profit to banks as such, but to afford to the business community means for carrying on its transactions upon a normal basis of money supply and interest charges. It was not thought necessary by the Department to extend the distribution of public funds to all small banks, but the aim was to distribute them so widely in every part of the country that the benefit of the funds thus distributed would reach even the most remote quarters through the increased power of making loans and rediscounts given thereby to the stronger banks of the locality.

An effort was made also to broaden the basis upon which public deposits might be made by extending the list of bonds acceptable to the Treasury Department. Up to

about the 1st of October, State, railway, and municipal bonds were accepted at 90 per cent. of their market value, when not above par, when such bonds came within the provisions of the laws of the States of New York and Massachusetts governing investments by savings banks. At about this time bonds coming within the provisions of these laws became very scarce. Banks were then informed that bonds would be acceptable which came within the laws of Connecticut and New Jersey, thus making available many millions of bonds which were considered as good security.

After the offer of the Secretary of the Treasury to receive State, railway, and municipal bonds, in substitution for government bonds to be transferred to circulation account, as above referred to, a few bonds not strictly in conformity with the provisions of the laws of any of these States, but yet of good market value, were accepted at the rate of 75 per cent. of their market value. Under a strict construction of the laws of these States, the bonds of several of the largest municipalities are not available as investments for savings banks, owing to the fact that their percentage of debt, as compared to assessed valuation, is slightly in excess of the amount stipulated in these laws. The same statement applies in a measure to railroads. There are several issues of second-mortgage bonds, which in point of security might properly be classed as first-mortgage bonds, inasmuch as the first-mortgage bonds have been largely paid, or a fund established to pay them as fast as presented. In some other cases also the mileage of the railroad is not quite sufficient to bring its bonds within the class of investments legally prescribed for savings banks.

The Department exercised great caution in the acceptance of bonds as security for deposits, and in nearly all cases where bonds were accepted which were not legal savings bank bonds they were marketable at a price equal

HERBERT HAROLD VREELAND

Born in Glen, New York, October 28, 1856. In 1874 entered the service of the Long Island Railroad Company and passed through each grade of the transportation department to freight and passenger conductor. In 1881 he was with the New York and Northern Railroad Company as conductor, and later train agent, superintendent, general superintendent, and general manager. He remained with this company until 1893, when he accepted the presidency of what was then known as the Houston, West Street and Pavonia Ferry Railroad Company, its successors being the Metropolitan Street Railway Company, the Interurban Street Railway Company,—now the New York City Railroad Company,—and the Metropolitan Securities Company. He was afterwards chief executive officer of the corporation. Under his presidency nearly thirty independent and competing companies owning franchises were united in one system, comprising every surface line in the boroughs of Manhattan and the Bronx.

to, and in some cases in excess of, that of savings bank bonds. It was deemed wise, however, as they were not classed as savings bank bonds, to accept them at a lower rate, namely, 75 per cent. of their market value. It is gratifying to be able to state, as evidence of the care with which the entire situation was handled, that not a dollar of the Government's money was lost through the acceptance of inadequate security or through the failure of any bank to return its deposits when called upon to do so.

All possible relief in the way of increased deposits in the national banks having been extended, the Treasury Department turned toward bringing about an increase in the supply of currency. Here the great trouble was in the shortage of bonds available to secure additional bank notes. The Department, therefore, notified national banks that they would be permitted to substitute bonds suitable for savings bank investments for government bonds which were held as security against public deposits. The purpose of this measure was to enable the banks to employ the government bonds, which were thus released, as security for additional bank-note circulation, in conformity with the law. To this offer the banks responded promptly, and as a result many millions of additional bank notes were taken out and were employed in meeting the currency famine.

As usual in emergencies, the difficulty of obtaining bonds, and other obstructions of detail, prevented the increase in circulation becoming effective to the full amount until some time after the need for it had passed. Just before the acute stage of the crisis, the national bank-note circulation stood (on October 15th) at $607,118,742. While strenuous efforts were made, especially by some of the large banks in New York and Chicago, to comply with the expressed wishes of the Department and of the Comptroller of the Currency to increase circulation, the amount out-

standing had risen on November 1st only to $611,822,676, and on November 15th to $631,344,943. The most important increase in the circulation took place after the announcement, about to be referred to, of the government issues of Panama bonds and one-year Treasury certificates, so that the circulation attained, on December 1st, the amount of $656,218,196; on December 15th, $676,914,235; and finally, on December 31st, $690,130,895. By the latter date the urgent pressure for currency had practically ceased and yet notes continued to be issued in compliance with orders previously received, until the outstanding circulation on Saturday, January 18, 1908, was $695,927,806.

The fact that the national banks were exerting themselves to increase circulation, and that the Treasury by these new issues placed at their command means of doing so, undoubtedly had a moral effect which tended still further to check the panic and reduce the premium on currency. The banks were hampered, however, before the announcement of the new government issues, by the rapid advance in the price of 2 per cent. bonds. These bonds sold as high as 110, and even at this price the supply in the market obtainable by national banks was extremely limited.

It was with a view to relieving this situation, and counteracting the premium on currency—which was itself a stimulus to hoarding and which practically interrupted exchanges between different cities—that it was decided on November 17th to receive at the Treasury applications for subscriptions for $50,000,000 in Panama Canal bonds, under the act of June 28, 1902, and $100,000,000 in 3 per cent. certificates of indebtedness, under the act of June 13, 1898. One of the direct effects of these issues was to afford to the banks the means of increasing their circulation. If the proceeds of these issues had been retained in entirety in

the Treasury, the increase in bank circulation would have been offset by the amount paid by the banks for the bonds. By providing, however, for the transfer to the banks of a part of the purchase money as an addition to their holdings of public deposits at the time, a very considerable net increase in circulation became possible.

In order to afford this relief, the banks to which awards were made of Panama bonds were allowed to retain 90 per cent. of the purchase price as a deposit, and those to which allotments were made of the one-year certificates were allowed to retain 75 per cent. of the purchase price. Thus an inducement was offered for subscriptions to the new issues, as well as a means of increasing bank-note circulation. It was with deliberate intent also that the offer was made more attractive in the case of the bonds than in the case of the certificates, after it became evident that the issue of the entire amount of the latter first proposed would not be required to restore confidence. Ultimately the results of these offers on the part of the Treasury were such that it was found necessary to issue only $24,631,980 in the Panama bonds and $15,436,500 in the certificates of indebtedness. Practically all of both classes of obligations, excepting $91,820 in bonds, were used as the basis for increasing the bank-note circulation or securing public deposits.

The issue of new securities by the Treasury Department was influenced by the conclusion that it was advisable to take some strong and resolute step which would convince the public, both at home and abroad, that the Government was thoroughly alive to the situation and determined to give its aid in every possible legal and proper form. The most potent weapon at such times in bringing a crisis to an end is often as much one of moral effect as of the definite action taken. It has been the history of many great crises

in Europe as well as in this country that the knowledge that adequate resources existed to avert disaster was sufficient to obviate the necessity for employing such resources to their utmost limit. An illustration in point is the action of the Chancellor of the Exchequer in Great Britain in the panic of 1866, when the announcement that he had authorized the Bank of England to disregard the Bank Act and to issue its notes to any necessary limit promptly arrested pressure upon the banks. So prompt was the response of public feeling to this action in suspending the demand for discounts and the withdrawal of deposits that the bank did not find it necessary to avail itself of the authority to issue additional notes. The fear that accommodation could not be obtained by solvent business men was completely allayed and the panic almost immediately subsided.

The fact that the Treasury was in a strong position in respect to its normal cash balance made the situation much more easy of control in some respects than after the panic of 1893, when the cash balance was almost completely exhausted and the reaction of this influence was felt in depleting the gold reserve. At that time the first issue of $50,000,000 in 5 per cent. bonds was not announced until the cash reserve had been depleted below $50,000,000. And the same depletion took place before the second issue of bonds in the autumn of 1894.

While the pressure upon the banks was not allayed at once by this measure, confidence was so far restored that the premium on currency fell immediately, and bids were received in such volume for both classes of issues that it was not considered necessary to allot even half of the total amount of the two issues.

The Panama Canal bonds were issued under authority of the act of June 28, 1902, as amended by the act of De-

cember 21, 1905, authorizing the Secretary of the Treasury, "To borrow on the credit of the United States from time to time as the proceeds may be required to defray expenditures authorized by this act (such proceeds when received to be used only for the purpose of meeting such expenditures), the sum of $130,000,000, or so much thereof as may be necessary."

It would seem to be obvious from this language that it was intended to construct the canal entirely from the proceeds of loans issued for the purpose and not to charge any part of the cost of construction upon the current ordinary receipts of the Government. As the entire proceeds of the bonds which were actually issued under this offer, amounting to $24,631,980, were expended on the canal work, it would seem that no question of the legality or propriety of such an issue of bonds could be raised.

The one-year certificates were issued under authority of the act of June 13, 1898, authorizing such issues when necessary to meet the expenses of the Treasury. The criticism has been made that with a nominal cash balance of some $200,000,000 in the Treasury the occasion contemplated by the act did not arise and the power therefore did not inhere in the Secretary to make an issue of such securities to meet current expenses. From a strictly legal point of view, there is probably no question that the determination of the occasion for making such an issue is within the discretion of the Secretary of the Treasury. Indeed, it is expressly made so by the statute. From a financial point of view the Secretary felt justified in exercising this discretion with due regard to the amount of cash actually in the Treasury as well as to the amount shown upon the balance sheet, including deposits in national banks. It seemed to him that it would be a strained construction of the act of 1898, and of his official responsibility, to hold

that it was his duty, in order to meet the current needs of the Treasury, to invoke a financial disaster by attempting to withdraw funds on deposit with national banks at a time when they were subject to severe strain in meeting the business requirements of the country, and when any additional act or policy tending to subject them to further pressure might make absolutely impossible, if it were not already so, the return to the Treasury of the funds required for meeting its obligations.

The character of the new issues of securities offered for subscription was such that it was anticipated that most of the subscriptions would come from national banks. The 2 per cent. bonds afford such privileges to national banks as a basis of note circulation that there are strong inducements to the banks to outbid private investors, who would find in the bonds nothing more than the best form of security paying only 2 per cent per annum. It was expected—and this expectation was fulfilled—that the bonds would be used largely as a basis for additional bank-note circulation and that such circulation would contribute its share to relieving the acute pressure for currency which existed throughout the country. Even if there had been no other justification for limiting subscriptions to national banks, this consideration—that the bonds would be used to meet the pressure for currency—would, in the opinion of the Department, have justified an absolute restriction of the awards to national banks.

The legal right of the Department to make allotments of the bonds and securities to such persons and banks and in such amounts as it might see fit can hardly be called in question, in view of the fact that reservations on these points were made when subscriptions were invited. Thus the circular offering the Panama bonds contained this distinct provision: "The Department also reserves the

Chas. E. Patterson

CHARLES COURTER DICKINSON

Banker; born in Cobleskill, N. Y.; graduated Cobleskill Academy, Cornell University, B.L. (was commencement orator); Cornell Law School, LL.B., 1894. Admitted to New York bar, May 10, 1894, at Albany. Author of *Dickinson on Eminent Domain, Groesbeck and Dickinson's Banking Laws of New York. Dickinson and Cummings' General Municipal Laws of New York.* Was president Delta Tau Delta Fraternity of the United States; chairman of the Board of Directors Mechanics and Traders Bank of New York; organizer, active vice-president and director Colonial Trust Co.; chairman of organization committee, acting president and director of the Carnegie Trust Co., for which he secured the services of Leslie M. Shaw, ex-Secretary of the Treasury, as president. Made tour around the world, 1898–1899. Member Mayflower Society, Executive Council of Huguenot Society of the United States, Sons of the Revolution, Cornell Alumni Association, Metropolitan Museum of Art, Museum of Natural History, the Municipal Art Society of New York, New York Botanical Garden. Died 1910.

right to reject any or all bids, if deemed to be to the interests of the United States so to do."

Obviously, so far as the offer of securities was influenced by the desire to prevent distress in the money market, it would have failed of this purpose if awards had been made, even to *bona fide* bidders, which would have resulted in large drafts upon the reserve money of the banks and would not have aided in drawing money from private hoards. After careful analysis of the bids received, the conclusion was reached by the Department that if bids were awarded to individuals in large sums, it would have the tendency to cause still further withdrawals of money from the savings banks, which usually carry relatively small reserves in currency and in case of heavy demands would have been compelled to draw upon the national banks and trust companies. It was, therefore, decided in the case of the Panama bonds to make no awards to individuals in excess of $10,000. It was also decided to accept the highest bids of national banks for the remainder of the issue, after these minimum allotments to individuals.

At no stage of the crisis did the Government feel called upon to interfere directly with the normal movement of gold between international markets. The movement of foreign exchange was very irregular in the early stages of the crisis, because of some demand for remittances to London in settlement for maturing finance bills and in payment for American securities which were being remitted by disturbed foreign holders to the United States. The sum of $1,500,000 in gold was actually engaged for export to Germany on October 19th, but was explained as being a special transaction.

After a short period of uncertainty, however, exchange turned strongly in favor of imports of gold into the United States, and by the end of October engagements of over $24,000,000 were announced, which were eventually swelled

during the next two months to more than $100,000,000. None of this gold arrived until November, but the moral effect of the engagements was felt as soon as they were announced. The metal was distributed, chiefly through the channel of the New York clearing-house banks, to threatened points throughout the country. It is a striking proof of the energy with which the banks of New York extended aid to those of other parts of the country that the national bank returns show a reduction in specie in the national banks of New York from $173,221,007 on August 22, 1907, to $147,074,918 on December 3, 1907. Thus, not only did the entire volume of gold imported between these two dates pass through New York to other places, except so far as a part was hoarded by individuals, but the New York banks gave up $25,000,000 of their usual and normal reserves.

These various relief measures marked the turning-point of the panic. The deficit in the reserves of the New York clearing-house banks which on November 16th was $53,666,-950, increased in the next week less than $500,000, and in the following weeks turned rapidly downward, until the amount on December 28, 1907, was only $20,170,350, and by January 18, 1908, had been converted into a surplus of $22,635,475. The cash holdings of these banks, which had touched a minimum on November 23, 1907, of $215,851,100 rose on January 18, 1908, to $295,182,600. No further steps were considered necessary by the Treasury except to continue deposits in the banks of public moneys where they were available, and early in December it became possible to replenish the cash in the Treasury by the withdrawal of about $6,000,000 from national banks in New York City. The premium on currency did not wholly disappear until about the beginning of the new year, but remained only nominal during the latter part of December

as the panic subsided and as the funds withdrawn from banks for hoarding were gradually restored.

In Europe, also, conditions began to improve rapidly with the passing of the crisis in America. The percentage of the reserve at the Bank of England rose from 35.62 per cent. on January 2, 1908, to 52.69 per cent. on January 16th, and the directors felt justified in reducing the official discount rate from 7 per cent. to 6 per cent. on January 2nd, and two weeks later (on January 16th) to 5 per cent. The gold stock of the bank, which had been reduced on November 7th to £27,725,225, rose on January 2, 1908, to £32,543,666, and on January 16th, to £35,791,425. The Imperial Bank of Germany, which had been under severe pressure, benefited by an increase in its cash by $20,000,000 in the single week of January 17th, and a decrease in its note issue by $43,875,000, and under these conditions felt justified in reducing its discount rate from 7½ to 6½ per cent., and later (on January 25th) to 6 per cent. The Bank of France also greatly increased its cash resources and reduced its discount rate early in the year.

THE NEW YORK STOCK EXCHANGE

The present New York Stock Exchange building, which in architectural beauty is the foremost bourse in the world, was completed in April, 1903. It is an eight-story, steel-cage, fireproof structure of the Roman Renaissance type. The main structure is approximately rectangular, about 150 feet deep, with fronts on Broad and New Streets, respectively 138 and 153 feet wide. An irregular extension about 84 feet long, with a 15-foot front, affords an entrance on Wall Street. The materials of its construction are wholly American, the exterior face being of Georgia marble and the interior of marble from South Dover, N. Y. Within the Board Room proper there are neither columns nor supports; the effect is that of a magnificent hall with noble surfaces of marble wall, crowned by an ornate ceiling. George P. Post was the architect, and Charles T. Wills the builder.

CHAPTER VIII

HISTORY OF THE NEW YORK STOCK EXCHANGE

BY SERENO S. PRATT

MUCH might be written concerning the close relation between war and the origin of stock markets. War is not merely a question of men and guns. It is likewise a question of finance. While destructive of wealth it calls for extraordinary government expenditures which impart a temporary activity to many industries. It results in an extension of government credit. These things lead to inflation and speculation.

War creates national debts. National debts make necessary certificates representing this indebtedness. These certificates pass into the hands of investors through stock markets and stock exchanges. Thus the history of stock markets is closely interwoven with the history of governments. The national indebtedness created by Louis XIV. gave rise to John Law's bank, the Mississippi Bubble, and the beginnings of the Paris stock market. The national indebtedness created by the wars of the seventeenth century gave rise to the Bank of England and the beginnings of the London stock market.

It was war likewise that gave birth to the New York stock market, the history of which starts directly and in the same place from the organization of independent

constitutional government in the United States. In New York and in Wall Street, where Washington was inaugurated in 1789 and where the First Congress assembled, started the stock market which sprang as did the stock markets of Paris and London, out of the debt burdens of war. William M. Gouge, writing in 1837, said: "The period immediately succeeding the Revolutionary War was in a peculiar sense an age of speculation."

The contest of the colonies for independence created a mass of indebtedness, continental and colonial, aggregating about $80,000,000. The First Congress established a treasury department. Washington appointed Hamilton as Secretary of the Treasury and Hamilton's first great act as Secretary was to report to Congress in favor of the assumption by the new government of the debts incurred in the conduct of the War of the Revolution. This report, presented in January, 1790, started the first stock speculation on this continent. "Eager speculators," says Lodge in his *Alexander Hamilton*, "hurried over the country to buy up the debts, and the Secretary of the Treasury already began to be regarded as one who could make the fortune, not only of the government, but of individuals." The certificates of indebtedness bought from the original holders at low prices advanced rapidly to high figures. The plan of refunding the debt was bitterly opposed by Hamilton's enemies on the ground that greedy and successful speculators were to profit at the expense of the original holders, the men who had in the perils of war actually loaned their money to the struggling colonies. Even Hamilton was not spared from personal abuse, but was charged with having aided in and profited by this speculation. In a subsequent Congressional inquiry he was completely vindicated.

It was Hamilton also who planned the first United States Bank, the organization of which in 1791 produced another

medium of speculation. This, we are told, "expanded into a wild mania and consequent panic and disaster." Hamilton had already some years before assisted in the establishment of the Bank of New York, the first institution of the kind in New York City. In 1791, "hearing with infinite pain of the circumstance of a new bank" (in opposition to the United States Bank and the Bank of New York), Secretary Hamilton wrote:

"These extravagant sellers of stocks do injury to the government and to the whole system of public credit by disgusting all sober citizens and giving a wild air to every thing."

The speculative mania, as speculative manias usually do, resulted in collapse and loss. In 1791 United States Bank stock declined from 195 to 110, rallying later to 145. This caused a number of failures and the distress was so great that Hamilton resorted to the expedient of buying government bonds so as to get out more money in the market, a device which he had to repeat in the following year. The cashier of the Bank of New York, in a report to Secretary Hamilton, March 25, 1792, said:

"We have no public sales of stocks now in the evenings. Therefore I cannot go into the market until to-morrow. . . . The large dealers in stocks are to have a meeting this evening and it is reported will enter into an absolute agreement not to draw any specie from the banks for three months to come."

All this is of interest as it is a contemporary reference to the infant stock market and also to a measure of relief for an overburdened credit situation by the first Secretary of the Treasury which his successors have more than once been obliged to repeat.

In the very month that the cashier of the Bank of New York wrote this letter to Hamilton, it was recorded in the public press that "the stock exchange office is open at 22

Wall Street for the accommodation of the dealers in stocks and in which public sales will be held daily at noon." This would appear to have been an auctioneer's organization. But there were even then brokers in stocks independent of the auctioneers and these on March 21st held a meeting at Corre's Hotel at which they agreed not to attend the auction sales and appointed a committee to make suitable arrangements and regulations for the transaction of their business.

This meeting was the beginning of a regulated stock market in New York. On May 17, 1792, the brokers, seventeen in number, three of whom had offices in Wall Street, four in Broad Street, and the rest in adjacent streets, signed the following agreement:

"We, the subscribers, brokers for the purchase and sale of public stock, do hereby solemnly promise and pledge ourselves to each other, that we will not buy or sell from this day, for any person whatsoever, any kind of public stock at a less rate than one quarter per cent. commission on the specie value, and that we will give a preference to each other in our negotiations. In testimony whereof we have set our hands this 17th day of May, at New York, 1792."

It may have been accident or destiny that willed that the stock market should have been located in Wall Street, but there is nothing accidental in its evolution. I have connected its origin with the War of the Revolution because that war resulted in the creation of securities to be bought and sold. While war creates a supply of marketable securities and stimulates speculation, it is no explanation of the mystery of the development of a demand for securities whether these securities be the outcome of destructive wars or of the constructive enterprises of peace. We must go back farther than the American Revolution or even the wars of the seventeenth century to account

for the evolution of stocks, of stock markets, and of stock exchanges.

This evolution has developed naturally out of economic laws. The stock market has grown out of human needs as legitimately as the establishment of representative government itself. The modern financial system is indeed synchronous with modern liberty. Both are closely allied in spirit, in origin, and in evolution. The expansion of individual liberty has carried with it the expansion of commercial enterprise. Commercial enterprise required new tools with which to explore and develop the wealth of the earth. Science rushed to its aid with wonderful inventions which have revolutionized the conditions of human life, but even as much as steam and electricity have modern credit and the modern corporation proved the most powerful instruments of commercial enterprise. No one studying closely the history of the development of this continent can fail to appreciate, in part at least, the fact that without the stimulating influence and dynamic power of banking credit, corporate capital, and the stock market, it would have been impossible to have brought this country to its present state of wealth and power. Credit and the stock market have accomplished in one hundred years what it would otherwise have taken perhaps five hundred years to accomplish.

The steps in the development of the stock market are easy to trace. It was found that individual resources were insufficient to supply the capital required to carry on the large enterprises which the new needs of the world required, especially after the discovery of America. The modern corporation sprang out of this necessity. It was found that by aggregating the means of many small capitalists the money could be secured to carry on the large enterprises. Just as in the domain of politics it was found that by uniting the many under a form of government which joined the

principles of union and liberty, with a strong central executive and a representative assembly, so in the domain of business it was found that by means of the corporation it was possible to secure the power of united capital and at the same time retain the advantages of individual liberty. This was not indeed all thought out in the beginning. It simply grew, as all mighty movements do, out of the operation of the law of supply and demand.

The capital of many invested in the corporation was represented by shares, and it was soon found convenient that these shares should be equal in value but that each investor or partner in the enterprise might own as many of these equal shares as he had the means to buy. From this developed the transferable certificate of shares of stock so that partnership interest in the corporations could be more easily bought or sold and transferred from one owner to another. Out of this has developed the modern stock company, which facilitates the gathering, out of the small means of many, the capital adequate for undertakings too large for any one individual; which permits of limited liability, so that a maximum of power is joined to a minimum of individual risk; and which secures continuity to a corporation not depending upon the life of any one stockholder, but existing like a self-perpetuating body.

Out of the stock company has, by an inevitable evolution, sprung the stock market. With many people owning shares in stock companies, it was of course inevitable that some would want to sell their interest while others would want to buy. Just as inevitably there developed a class of middlemen or brokers between these sellers and buyers. The brokers had to have a common meeting-place where they exchanged their wares. Such a meeting-place became a stock market. As this stock market developed it was

Russell Sage.

RUSSELL SAGE

Capitalist; born at Verona, N. Y., August 4, 1816. Began his career as an errand boy in his brother's grocery store at Troy; was rapidly advanced until he became a wholesale grocer in Troy in 1837. Was Alderman of Troy 1847; member of Congress 1853–1857. Removed to New York in 1863 and became active in Wall Street. Was director in a large number of corporations, including the Manhattan Railway Co., Western Union Telegraph Co., Fifth Avenue Bank, Consolidated Coal Co., Iowa Central Railway Co., Missouri Pacific Railway Co., and Pacific Mail Steamship Co. Married Margaret Olivia Slocum, of Syracuse, N. Y., who survives him, and to whom his large fortune was bequeathed. Since the death of her husband Mrs. Sage, in addition to many other public benefactions, has established in his memory, with an endowment of $10,000,000, the "Russell Sage Foundation," for the Improvement of Social and Living Conditions in the United States. Mr. Sage died at Lawrence, Long Island, July 22, 1906.

found necessary to organize it with rules and regulations, and thus the stock exchange came into existence. Macaulay, in a celebrated passage, has described the origin of the English stock market. The surplus income of the people, he explained, demanded some new opportunity for investment other than in land, for the supply of capital seeking investment was greater than the demand for it in agriculture. Hence set in an eager buying of stocks in commercial corporations. All this was absolutely legitimate, but out of this demand for stock investments developed some gross abuses, such as fraudulent promotion and dangerous overtrading, leading to panic and loss. This has not, however, in the least impaired the legitimate foundation of the stock exchange, which rests upon the sound basis of human need. It exists because it is necessary for the world's progress in civilization. It is difficult in this day to conceive what the world would be without the corporation and the stock market. It is certain that without them the United States of America would not now be one of the three or four great powers of the earth.

Stock markets are products of civilization, and are to be found in their most highly developed state in those countries which are richest in liquid capital seeking permanent investment. The early growth of the New York stock market was slow, as was to be expected in a new country with limited capital, immense as were its undeveloped resources.

For twenty-five years the New York stock market was conducted substantially under the agreement of May 17, 1792, for it was not until 1817 that the New York Stock Exchange was founded. Although there were seventeen brokers in this agreement of 1792, there were only seven stocks to deal in, as is shown by the following price-list of May 26, 1792:

Six per cents	22s 0d
Three per cents	12s 8d
Deferred	13s 2d
Indents	12s 3d
Final settlements	18s 6d
Half shares Bank U. S.	50 per cent. premium
Shares Bank of N. A. (Phila.)	15 per cent. premium

Mr. Francis L. Eames,[1] to whom the Stock Exchange is much indebted for most of the few records of its early history, gives copies of curious entries in the books of one of the brokers of 1792 in which accounts are made not only of transactions in stocks but also of election bets.

It is a remarkable fact that stock markets are waifs of the street. What is known as the Mississippi Bubble was a speculation in shares of the so-called Mississippi Company which was carried on in the Rue Quincampoix. For a century the stock market of London was located on the curbs and in the coffee houses of Change Alley. Likewise the earliest New York market was conducted under a buttonwood tree in front of 68 and 70 Wall Street. There has scarcely been a time since then when part of the stock market was not located in the street. In 1792 accommodations were obtained by the brokers in the Tontine Coffee House, for many years the center of the commercial activities of New York. The merchants, rather than the bankers or brokers, were the business leaders of that time. Nearly half a century before, the merchants had established a place of meeting in Broad Street, and in 1768, in the long room of the Fraunces' Tavern, they organized the Chamber of Commerce. But from 1793 to 1827, when the Merchants' Exchange was completed on the site of the old Custom House Building, they centered in the Tontine Coffee House.

[1] *The New York Stock Exchange*, by Francis L. Eames, 1894.

Very little is known concerning the New York stock market during the first twenty-five years of its development. There was a remarkable growth of the country during those years and investment and speculation in stocks slowly but surely grew with it. At first, as has been related, the trading was in government securities. Then, and for a long time, bank shares were the leading object of investment interests. The first banks proved profitable enterprises and capital was rapidly drawn into that field. In nine years the number of banks increased from three to twenty-three, the latter having a capital of $33,000,000. Insurance companies were also started and the shares of these came into the market. After this, canal stocks and the shares of development and industrial companies began to be traded in. It was not until the nineteenth century was thirty years old that railroad stocks, which have ever since been the leaders in the market, first appeared. In 1801 a stock list advertised by a broker whose offices were at 50 Wall Street contained the names of five government stocks, three bank stocks, and three insurance stocks. It is noteworthy that every one of the bank and insurance stocks sold at par or more.

It must be remembered that at this time the country was still in a primitive state, and so limited were the facilities of transportation that prayers were offered in the churches for those about to make the journey between New York and Boston. Wall Street, as its name indicates, was the outer stockade or wall of the original settlement of Manhattan Island. In the latter half of the eighteenth century trade had already invaded the lower half of the street, but the church then, as now, held sway at its Broadway entrance, while some of the best society in the city resided between Broadway and William Street. Almost from the very start the banks and corporations and the brokers began to

claim the street as their own, and at the beginning of the nineteenth century it was as truly the financial center of the city as it is now, although it was not until a generation later that, New York forging ahead of Philadelphia, it became the financial leader of America.

To-day if the question were asked, what is the most famous thoroughfare in America, the answer would have to be, not Broadway or Pennsylvania Avenue, but Wall Street. Certainly no other street contributes so much to the glory, the wealth, and the power of the Empire State. The State derived a revenue in 1906 of $6,800,000 by its taxes on the stock transfers of the street, but it might well pay even a larger sum than that to prevent the business of the street from diversion to another State. Without Wall Street, New York would still, no doubt, be an important State, but she would not possess that which now most distinguishes her from all other political divisions of the Federal Union, namely, financial power.

The stock market continued without a name or formal organization until 1817, when it was finally transformed into a stock exchange. Philadelphia, and not New York, has the distinction of having founded the first bank and the first stock exchange in America, and it was from Philadelphia that the New York brokers obtained ideas for their own constitution and by-laws. There seems to have been not a little business in stocks between the two cities in these early years, and it would appear that wide-awake brokers were able to pick up arbitrage profits. I find in an old publication a statement that "about 1818 the Southern mail was detained at Powles Hook nearly two hours to enable certain speculators to reach Philadelphia and make their purchases before the arrival of the news contained in the mail." Medbury,[1] in a book on Wall Street in 1870, gives

[1] *Men and Mysteries of Wall Street*, by James K. Medbury, 1870.

what is evidently another version of the same incident, although he places it sometime prior to the organization of the exchange. He relates that important news having arrived from London, causing a rise in stocks, three smart New York brokers took the coach for Philadelphia. By connivance with the driver the coach broke down at Powles Hook and the three brokers hired a post chaise and drove full speed to Philadelphia where, in advance of the mail containing the news, they were able to buy the stocks at lower prices than those prevailing in New York. The same "enterprise" was displayed by Rothschild who, witnessing the Battle of Waterloo, managed to get to London ahead of the news and reaped a fortune out of his exclusive information. Probably these New York brokers got the inspiration for their Philadelphia coup from Rothschild's Waterloo "scoop."

No copy of the constitution of 1817 exists, although there are some records of the transactions of the first exchange, and it is recorded that, for a brief session during the prevalence of yellow fever, it was compelled to hold its sessions at Washington Hall on the corner of Reade Street. In November, 1819, a committee composed of W. H. Robinson, F. A. Tracy, R. H. Nevins, L. Loomis, and Nathaniel Prime was appointed to revise the constitution. On February 21, 1820, this new constitution went into operation. Under it the title given to the association was the New York Stock and Exchange Board. It was provided that no one could be eligible for membership who had not been a broker one year or an apprentice or clerk to a broker for two years. The entrance fee was $25. The president presided and called the roll of stocks, the secretary recording the transactions. The rates of commission as fixed by the constitution were one quarter per cent. on funded debt, insurance, bank and other stocks, bills of exchange and specie; one half per cent. for cashing promissory notes and acceptances, and one

per cent. for obtaining money on mortgages. Brokers were held liable unless they could surrender principals who would be considered responsible. In time bargains, principals had to be surrendered before 1 P.M. of day of contract and the other party had until 5 P.M. for consideration. If the principal was not acceptable the bargain was held to be void. No fictitious sale was permitted under penalty of expulsion. A member failing in his contracts was suspended. A vote of two thirds of his fellow-members could reinstate him except in case his failure was caused by his own speculation, when he could not be reinstated until all his engagements were settled. In time bargains, interest was fixed at 7 per cent. Leaving the board room during the calling of stocks, indecorous language and conduct, were punished by fines or suspension. In some of these provisions are to be found the germs of the system prevailing to-day on the Stock Exchange. The membership of the board at the time this constitution was adopted was thirty-nine. The president was G. S. Mumford and among the members were Nathaniel Prime and John Ward, who appeared from all accounts to be the leaders in the street.

As the War of the Revolution led to the starting of the stock market, so the War of 1812 may be said to have led to the organization of the stock market into the stock exchange, for this second war with England resulted in a new output of securities, new inflation, new starting of enterprises. From 1812 to 1816 the government issued over $80,000,000 of new loans, although the Treasury received only $34,000,000 from them as measured in specie. During the same time the number of banks increased from 88 to 246 and the note circulation from $45,000,000 to $100,000,000. The new loans and the stock of the new banks added to the material out of which investment and speculation were made, and it is not surprising therefore that action had to be taken

H C Pierce

HENRY CLAY PIERCE

Financier; born at St. Lawrence, Jefferson County, N. Y.; son Dr. Dyer Ensworth and Mary Jane (Ackert) Pierce; educated in Jefferson County High School. Chairman New York Board National Railways of Mexico; chairman and director Waters-Pierce Oil Co. (St. Louis), Pierce Fordyce Oil Assoc. (Texas), Pierce Oil Corp. (Va.), Mexican Central Railway Co., Tennessee Central Railroad Co. (Nashville); president and director Pierce Investment Trust Co. (St. Louis); director B. & O. Southwestern Railroad Co., Seaboard Air Line Railway, Mexican Pacific Railway Co., Central Mexico Railroad Co., Tennessee Construction Co. (St. Louis), Mexican-American Steamship Co., Mexican National Construction Co., Tampico Harbor Co., Brier Hill Collieries (Nashville), International Banking Corporation (New York), National Bank of Commerce, Mississippi Valley Trust Co., American Central Insurance Co. (St. Louis), Bank of Commerce and Industry (City of Mexico), Mercantile Fire & Marine Insurance Co. (Boston), and Mexican Fuel Co. (City of Mexico).

to give regular organization to the stock market. The records of the Stock Exchange show that in November, 1818, there were quotations of seven government stocks, ten bank stocks, and thirteen insurance stocks.

In 1820, the very year of the amended constitution already outlined, Wall Street began to figure a little in the press, and one of the newspapers, with much of the same editorial virtue displayed to-day in treating of the stock market, commented upon "the progress of stock gambling." It appears that there was talk of a corner in United States Bank stock and the shorts were frightened into covering. This early trading, it should be remembered, was without the facilities which now bind the world together. There was no telegraph, no cable, no railroad, and it took weeks for the news of Europe to reach New York. The hazards of speculative stock operations were very great indeed. Nevertheless the stock market steadily expanded with the rapid growth of the country and independently of the mightier markets on the other side of the Atlantic. An era of promotion set in about 1824 which added to the number of securities in the market. In that year companies having a capital of $52,000,000 were organized in New York alone, and there was speculation not only in stocks but in mines, cotton, and real estate. It was in 1822 that the oldest mining company in the country, the Lehigh Coal and Navigation Company, was organized.

The appetite of the public at this time for stock investments was amazing considering the small supply of liquid capital. On April 22d, the public were offered $500,000 worth of stock of the Blackstone Canal and the subscriptions aggregated $1,127,900 in one day. Even greater were the results in the case of the stock of the Morris Canal Company, which was subscribed for twenty times over. In 1826, which was a year of bursting of many bubbles, a large number of these

new companies went into bankruptcy and out of existence. It was in this year that Jacob Barker, who had been largely instrumental in raising loans for the government in the War of 1812, was arrested for an alleged challenge of David Arthur to fight a duel on account of words spoken in the Merchants' Exchange—a case which created a great sensation in the city, for Barker was at this time and for a number of years thereafter one of the leading financiers of the country.

At this time an event of far-reaching importance took place. It is not too much to say that the State of New York owes its prominence in the country, its long-continued power in commerce and finance, to two developments: first, the organization of the Stock Exchange in 1817 and, second, the completion of the Erie Canal in 1825. The latter established on a firm footing the commercial supremacy of New York City. From that time it began to take first place among American cities, soon supplanting Philadelphia in population, commerce, and wealth, although Philadelphia for a number of years thereafter continued to be the headquarters of the United States Bank, which under the presidency of Nicholas Biddle largely controlled the money market. The United States Bank had its New York branch in the building on Wall Street long occupied by the United States Assay Office. In 1825, the very year of the completion of the Erie Canal, the great London banking house of Alexander Brown & Sons established a branch in New York and the city began to take a recognized place in the markets of the world.

In 1827, when the city had a population of over 175,000, with sixteen banks, including the branch of the United States Bank, the merchants erected an exchange in Wall Street on the site of what was for a long time the Custom House but which has now become the home of the National City Bank. In this exchange the stock board

rented for $500 a year a room for its trading, and here it remained until the great fire destroyed the building in 1835. The initiation fee was raised to $100. The board met in secret, and transactions were not made public. The value of continuous and public quotations was not then recognized. The quotations of September 20th, of this year included eight government securities (National and State), twelve banks, five marine and fourteen fire insurance companies, and the stocks of the Delaware and Hudson Canal, the New York Gas Light Company, and the Merchants' Exchange. The Delaware and Hudson became an active stock and has remained ever since, a period of eighty years, one of the best-known securities in the investment arena. The fire insurance stocks were then eagerly sought after on account of their high earning power. In 1829 the first railroad train moved by steam power was operated, and in the year following, the list of the stock board for the first time contained the name of a railroad stock. It was that of the Mohawk & Hudson, now a part of the New York Central system. American stocks had even then been long traded in in London, but it was not until 1838 that the first railroad security was introduced there.

We have now reached a time when it is possible to give some account, fragmentary though it be, of the stock market as it appeared to those living three quarters of a century ago. Ex-Mayor Philip Hone, then a leading citizen of New York, kept a diary in which he recorded a number of references to the stock market and Wall Street. On July 23, 1832, he says that notwithstanding the cholera then prevailing he went to Wall Street and did considerable business. A year before, he had recorded the extraordinary prosperity and business activity that existed all over the country and especially in New York, but in November, 1833, he comments with much severity upon what he called "the ill advised

action" of President Jackson in removing deposits from the United States Bank. This, he said, produced an awful scarcity of money and a sharp fall in prices, Delaware & Hudson declining from 125 to 114. This refers of course to the war which Jackson carried on against the United States Bank that led to its overthrow and finally culminated in the panic of 1836. It was in 1833 that Jacob Little appeared prominently upon the scene of action as a leader in the stock market. He had been a clerk of Jacob Barker and was for many years a noted bear operator. He is generally credited with having introduced short selling in the New York market. This is not strictly accurate. He undoubtedly made short selling prominent, but bear trading had been imported from London long before, and in 1812 the New York Legislature passed a bill prohibiting sales of stocks not actually in possession of the seller. The law was a dead letter and was repealed in 1858. Little made a fortune in the panic of 1836 but in the next decade lost a large portion of it in the first extensive operation that he entered into upon the bull side.

To return to Mr. Hone's diary. On December 27, 1833, he records that panic prevails and that stocks are falling. On December 30th he said that the times were "dreadfully hard." He records the failure of Shipman & Corning as brokers who had been "gambling in Delaware & Hudson." Hone himself lost $20,000 in sixty days. No wonder that he felt aggrieved with the action of Jackson in attacking the United States Bank, which he attributes to "the sin of Nicholas Biddle in opposing Jackson's election." Hone writes that "the gambling in stocks has been carried on by brokers to an extent disgraceful to the character of the city." This is alleged to be one cause of the distress. Then he goes on to describe the process of selling stocks short as practiced by Jacob Little, although he does not

mention his name. "It consists," he said, "in selling stocks ahead, where a man sells to the amount of millions without owning a dollar of the stock—betting it will fall and then taking pains by every kind of lying and chicanery to injure the reputation of the stock so that he may win." On February 11, 1834, Hone attended a big mass-meeting in the Merchants' Exchange in Wall Street to protest against the removal of the government deposits. The country, however, recovered from the blow of the removal of these deposits, and in January, 1835, Hone commented upon the rage for speculation in lands as being one of the bubbles of the day. On October 14, 1835, he wrote that "gambling in stocks in Wall Street has arrived at such a pitch and the sudden reverses of fortune are so frequent that it is a matter of every day intelligence that some unlucky rascal has lost other people's money and run away."

The newspapers had already begun to report regularly the course of the stock market, and on May 13, 1835, the *Herald*, itself then published in Wall Street, said:

"Yesterday the fancy stocks took a tumble of from two to four per cent. on some descriptions, the railroads especially. Money is beginning to get scarce and there is a fear that the banks mean to curtail. This impression does not prevail generally." The sales of the Stock Exchange that day amounted to 3671 shares and included the stocks of three banks, four railroads, one canal company, one gas company, and one insurance company. Of course the number of stocks of which quotations were given was much larger.

Some idea of the market fluctuations at this interesting period of the stock market is afforded by the fact that from August to December 30th Delaware & Hudson fell from 125 to 99, Harlem from 95 to 70, and New York Life and Trust from 160 to 139½. In 1834, from January 3d to January

17th, there was a decline from 91 to 73 in Delaware & Hudson while Mohawk & Hudson advanced from 80 to 94. In 1835 there was a big speculation in stocks as in lands. Higher prices prevailed in commodities as in securities. In 1836, however, the great movement of inflation which had been going on for a number of years collapsed, and in October, 1836, nearly a dozen failures were announced in the Street. The panic swept over the entire country and in fact was felt throughout the world, and on May 9, 1837, the New York banks were obliged to suspend payments. Philip Hone speaks of that event in these words:

"The volcano bursts and overwhelms New York. The banks suspend payments. Wall Street was greatly crowded but there was no riot or tumult."

From 1837 to 1839 there were 33,000 failures in the United States, involving a loss of $440,000,000. The United States Bank, deprived of its federal charter, continued in business for a few years under a Pennsylvania charter and finally went out of business entirely in 1841, and Hone declared that the losses caused by this failure equaled even those of the great fire which destroyed New York on December 16, 1835. He was very pessimistic in his views and asserted that the failure has caused "an utter destruction of American credit abroad."

The year 1835 had been notable for its corners and so wild became the speculation that the Stock Exchange had to close its doors twice. In fact, the history of the stock market contains nothing that equals for audacity the corners in Morris Canal and in Harlem if that year, although there have been a multitude of transactions of greater magnitude. The shorts in Morris Canal were compelled to settle at 150 by a clique which had bought the stock at much below par. Another combination in Harlem compelled the shorts, who had sold in two months 60,000 shares of a stock of which

Frederick Weiss

GEORGE WALBRIDGE PERKINS

Financier; born in Chicago, Ill., January 31, 1862; educated in public schools of Chicago; began business life in Chicago office of New York Life Insurance Co., 1877, as an office boy, later becoming successively bookkeeper, cashier, and inspector of agencies. Mr. Perkins was made superintendent of the western department of the company in 1889, and in 1892 third vice-president in charge of the agency force, with headquarters at the home office in New York City; promoted to second vice-president, 1898; to vice-president, 1903; and elected chairman of the Finance Committee of the company in 1900. Partner in the banking firm of J. P. Morgan & Co., 1901 to 1911. At various times chairman executive committee and director Chicago, Burlington & Quincy Railroad; chairman board of directors Cincinnati, Hamilton & Dayton Railroad, and Père Marquette Railroad Co.; president and director Toledo Railway & Terminal Co.; chairman finance committee and director International Harvester Co.; vice-president and director Great Central Dock Co.; trustee New York Trust Co.; director United States Steel Corporation, Northern Pacific Railway Co., National City Bank, International Mercantile Marine Co., Bankers' Trust Co., German-American Insurance Co., etc. Trustee of Vassar College, and active worker for social reforms.

only 7000 shares had been issued, to settle at high figures for their folly. From November 25, 1834, to November 25, 1835, the Morris Railroad advanced from 70 to 120, Harlem from 64 to 105, and Delaware & Hudson from 72 to 113. In 1836 the Exchange appointed a committee to investigate corners with a view to preventing some of their gross abuses.

The great fire of December, 1835, destroyed the Merchants' Exchange, and the stock board was obliged to suspend operations temporarily, but in two days engaged a room in Howard's Hotel in Broad Street, the site of which is now covered by the present Stock Exchange building. During the succeeding six years the board occupied rooms at 43 Wall Street in a building which at the beginning of the century had been the stable of an English gentleman then residing in New York. In the panic of 1837 one Stock Exchange house was large enough to fail for liabilities of $5,000,000. So great was the subsequent depression that the board, having a surplus of $20,000, instead of buying a site for a building, divided the sum among its eighty-eight members. In January, 1837, the list of stock quotations included ten banks, two trust companies, eight railroads, and three other companies. A new Merchants' Exchange was erected and in this the Stock Exchange long held its sessions.

I have discovered some description of the stock market at this time in a little book entitled *A Week in Wall Street*, published anonymously in 1841. The writer was clearly prejudiced against Wall Street but nevertheless some instructive information may be obtained from its pages. In his preface he declared that there was existing at that time "a demoralized condition of principle in regard to pecuniary transactions." He admits that he had himself been "flunked" in Wall Street. He describes joint stock companies as "an ingenious device wherein an imaginary body is made accountable for the acts of its members, while

real actors may hide behind it as long as it has power to protect them and scamper off without warning when it has not." He defines a broker as "a negotiator between two parties who contrives to cheat both." He said that while credit well sustained gave success to enterprise, by its misapplication and abuse it had come to have a different significance, namely, that "the more one owes the more he has to sport with." In describing the board of brokers the writer declared that when a broker is employed by another person to buy or sell on time he has the right to give the name of his principal within twenty-four hours, and then if the other party is not satisfied he is required to deposit ten per cent. Stocks sold on time were seldom delivered, but when the contract matured the difference between the sale and the average market price was paid over by the loser. He said that there was a large class, sometimes controlling a good deal of money, who made speculation their business and often united in squads for the purpose of cornering. These professionals were called "bull backers" or "bear traps," according to the nature of their operations. The former bought stocks for a rise and the second sold stocks for a decline. Bull backers and bear traps are terms which have disappeared from Wall Street. There was another class described by the writer as called "flunkies." This is another term lost to Wall Street which now uses the word "lambs" to describe the same class of persons, namely, those who enter into speculation without any knowledge or intelligence and generally leave their money behind. Stock gamblers, he said, of very small capital often have contracts pending of many hundreds of thousands of dollars. When a broker operates for others he usually requires a deposit of ten per cent. as security against loss. This deposit is now called "a margin."

The pessimism of this view of Wall Street was a reflec-

tion of the great losses entailed by the panic of 1837 and the depression which followed. This depression was so great that Philip Hone, describing the new Custom House, now the Sub-Treasury in Wall Street, then just completed, in 1842, said it was "a magnificent winding-sheet of departed commerce." But even as he wrote the process of recovery had started, and for fifteen years there was steadily advancing activity and prosperity in this country interrupted only by a temporary setback in 1848. It was in this very year of 1848, when gold was discovered in California, that another description of Wall Street and the stock market was published in a magazine of that day from which we are able to obtain a somewhat lifelike picture of conditions as they existed sixty years ago. "The American stock market," said the writer, "when compared with the markets of other nations is peculiarly sensitive, and this was never more fully illustrated than during the period which has elapsed since the commencing of the present war with Mexico." It should be remembered that this was written in 1848.

"Insiders," he said, "speculate both on their own account and act as commission brokers for others." Outsiders he described as being those people who dabble in stock to a greater or less extent through brokers. There were two stock exchanges at that time. The old Board, the regular successor of that organized in 1817, is described as being very exclusive in character and as sitting with closed doors. The qualification for membership was one year in business, the settlement of all debts, and the payment of an admission fee of $400. Three blackballs excluded an applicant and there was much blackballing, so that it was difficult to get into the Board. This exclusiveness caused the organization of the new board but it did not prove successful, and in 1848 it had only twenty members and at the

close of that year was consolidated with the old board. Business in the old board was carried on from 10.30 to 12 and then from 2.45 to 3 P.M. When not in session members, and all others who wished to, assembled in the street at the corner of Wall and Hanover, where an open business was conducted in a volume that even exceeded the total transactions of both boards. Securities could in 1848 be hypothecated for loans for five and ten per cent. less than the market value. The bank margin at this time (1912) is rarely less than twenty per cent. Loans could be obtained from the banks at the regular market interest and from other lenders at interest and a bonus of one eighth per cent. The fluctuations in fancy stocks were often from one to ten per cent. upward in a day and as much as forty per cent. in decline. The writer gives an interesting account of a transaction in which he had been concerned. He owned stock in the Norwich and Worcester Railroad but it had declined to 55. He was then informed ("tipped") that Cornelius Vanderbilt had a large holding of the stock; so he held on until it had advanced to 63½, when he sold. The stock however continued to advance, and so he was induced to buy 200 shares at 66½ when it immediately fell ten per cent. and at length sold at less than 40. Cornering he described as consisting in "creating at the same time both demand and scarcity," a most felicitous definition. The writer also tells of a transaction in which Jacob Little was interested. The bulls, he said, bought five thousand shares of stock and borrowed $100,000 from Little and $100,000 more from Prime, Ward & Co. The day for payment arrived when Ward failed. Little, who was himself a bull, got early intelligence of this and fainted away, but in an hour's time had fully recovered and quickly raised the money. The fact then leaked out and caused a break of ten points and the shattering of the pool,

He said that outsiders were largely influenced at that time by the money articles in the newspapers in most cases written by interested persons or by individuals bribed with stocks. In this respect, as in many others, the morality of Wall Street has now greatly advanced. The facility with which fortunes were made in Wall Street at that time he illustrates by the history of two brothers named Josephs who came from Richmond with about $20,000. Later they formed a partnership with M. Henriques and finally had a capital of $490,000 and made several millions of dollars. This is the firm that in 1837 is mentioned as having failed for $5,000,000.

The writer gives a list of bubble stocks among which he names the North American Trust and Banking Company, the stock of which sold at $20 even after going into receiver's hands. Others were the Commercial Railroad of Vicksburg, the Morris Canal, the Canton Company, the Mohawk & Hudson, the Harlem, the Stonington, and the Norwich & Worcester. He describes the Reading stock as a "worthless trap" and as being one of the mammoth operations of Nicholas Biddle. The Reading has continued ever since to be one of the most active stocks in the market list and it, Erie, and Northern Pacific have been identified with more "great days" in Wall Street than any other three securities. He mentions a corner in Norwich & Worcester conducted by Jacob Little. Little carried the price to 95, when there was a break to 60. Certain parties who had sold 3000 shares for delivery in twelve months offered to sell at $30,000. Little refused, and they held on so that in the subsequent decline they bought in at prices which netted them a profit of $60,000. It is of interest to note that the writer mentions the Farmers Loan and Trust Company as one of the "bubble" stocks of that period, although now this company is one of the largest, most substantial and conservative

institutions in the city. He gives also a description of many of the leading brokerage houses. Drew, Robinson & Co., he said, were worth over $1,000,000. Another firm was that of Clark, Dodge & Company which he described as standing high and having branch offices at Boston, Providence, Philadelphia, and Baltimore. This is a firm name that still commands high respect in Wall Street. David Clarkson was then president of the Exchange and described as "respectable and possessing great nerve." He had once been worth $300,000. In 1845 it was estimated that Little was worth $500,000 and Daniel Drew $300,000.

The discovery of gold in 1848 started the magnificent boom period that lasted until 1857. The enormous production of gold caused an uplift of prices, an impetus to enterprise, the building of railroads, the multiplication of banks, and a widespread speculation in stocks, lands, and commodities. Several other things had happened beside the discovery of gold which contributed to make this a memorable financial period. Morse had invented the telegraph, and in 1844 the first telegraph line was constructed. In 1846 the independent treasury system was established as it exists substantially to-day. A greater stability had been imparted to banking in the State of New York by the abolition of special charters to banks and the enactment in 1838 of an admirable free banking law, which later became the model on which the national banking act was drafted. During the boom period a further notable improvement in New York banking was brought about by the organization in 1853 of the Bank Clearing House. In the same year the United States established an assay office in Wall Street, and the Corn Exchange was organized. During this period not only Jacob Little but George Law, Dean Richmond, Nelson Robinson, and other capitalists were conspicuous in financial operations, while Commodore Van-

Arch. Pinto

derbilt, Daniel Drew, and Jay Gould began their mammoth operations.

The panic of 1857 came with startling suddenness and devastating severity on August 24, 1857, when the Ohio Life and Trust Company, having a branch office in Wall Street, failed. Two months later all the banks in the city, except the Chemical, suspended specie payments. An old cut gives a picture of Wall Street on the day of the suspension of the banks. The street was crowded with excited people in front of what is now the National City Bank. The president of the American Exchange Bank addressed the excited crowd in front of his bank in hopes of allaying the excitement. The Stock Exchange is described as having looked like a "gathering of demons." Bull and bear came into personal contact and fierce blows mingled with the ceaseless rapping of the president's hammer and the terrible slaughtering of every description of security. The decline in the prices of the leading stocks was sharp and extreme. For instance, Reading Railroad stock fell 36½ points from August to October, Michigan Central 37 in the same time, Illinois Central 32½, Rock Island 31½, Panama 20, American Exchange Bank 40¼, New York Central 19¼, and Virginia State 6's 13½.

Sudden as was the blow and severe as was its effect, the stock market depression did not last long. The following year prices recovered and the Exchange was so prosperous that the initiation fee was raised to $1000 except for clerks who had served three years. The banks had resumed specie payments the preceding 12th of December.

The country, with remarkable vitality, quickly recovered from the effects of the panic. It needed, indeed, all its strength, for another crisis greater than that of financial panic was soon to confront it—the crisis of the Civil War.

We now enter upon the period of modern speculation.

This is a theme much too vast for the limits of a single chapter. Nowhere else has the stock market developed on so enormous a scale and with such dynamic power as in Wall Street from 1861 to the present day. Here upon the arena of the Stock Exchange the great operations have been carried on out of which, in spite of many colossal wrongs, the criminal conspiracies of manipulative pools, and the madness of a generation intoxicated by the possession of fabulous wealth, the capital has been mobilized for the development of the splendid resources of our nation.

The stock market during the Civil War was neither loyal nor disloyal. Markets as a rule seek to ascertain values in a cold-blooded way without much regard to patriotic considerations. It does not follow, however, that the stock market does not perform at times a patriotic service. M. About, writing of the French stock market, said that it is speculations that "make the prosperity, the strength, and the greatness of France." He added that they give vigor to the most timid capitalists. They furnish millions for the operations of peace and war. "If we ever revenge ourselves for the misfortunes of Napoleon," he said, "it will be less on the battle field than on the green baize of speculation." While this may be too sweeping a claim, yet as regards Wall Street it is true that its transactions during the Civil War did, in the main, contribute to the preservation of the nation. Certainly Wall Street deserves a large share of the credit for the floating of the $2,700,000,000 national debt created between 1860 and 1866. It was well paid for its services, but the risks were enormous. The passage of the law creating the national banking system and providing for a note circulation secured by government bonds greatly aided the government in marketing its war bonds. The bankers, besides aiding the government, came to the rescue of the commercial credits of the country at

this time when the necessities of the nation were so great. The recently organized Bank Clearing House for the first time issued loan certificates and from 1860 to 1864 put out $59,159,000 of these certificates, the largest amount outstanding at one time being $21,960,000 in 1862. In five other financial crises: namely, 1873,1884,1890, 1893, and 1907, the Clearing House repeated this service. Its total issue of loan certificates in the various panics since 1860 has amounted to $269,834,000. These have been the chief bulwarks of the credits of the country in the periodic financial crises, preventing the spread of disaster.

Even the speculation in gold, bad as it was in many respects, and which the government by various acts sought to prevent, actually served a useful purpose inasmuch as it "tended to keep gold in the country by giving its holders the continued prospect of an advance in prices."[1]

The Stock Exchange, whatever may be said of the stock market, gave practical proof of its patriotism during the Civil War. Early in 1861 it passed resolutions pledging its fidelity to the union and appropriating all the money in its treasury to sustain the government. It prohibited dealings in the bonds of any of the seceding States, and when gold went to a premium and became a speculative commodity, while it placed it on its list, it did not encourage dealings in it, and as a matter of fact the great gold speculation during the war, which continued for a number of years thereafter, was carried on outside of the Stock Exchange.

At the opening of the war the Exchange was almost a secret organization with admission made exceedingly difficult by reason of the blackballing of applicants. It furnished facilities which at this day would be considered absurdly meager. The quotations were not distributed as now by tickers, but carried by brokers from office to office.

[1] *The Nation in 1866.*

The telegraph was in operation but there were no news agencies serving the brokers with continuous information of what was going on in the world, and it is a remarkable fact that the stock market advanced the very day Fort Sumter was fired upon, and the significance of the event was not realized until the next day. The news from Europe was always weeks old before it reached the Street, and it was not until 1866, when Cyrus W. Field had completed his Atlantic cable, that regular daily quotations were received from London and arbitrage dealings between the two markets were started. In 1867 the stock ticker was introduced, but it was not until 1878 that telephones, by which the great bulk of orders are now transmitted to the Exchange, were put in use.

Nevertheless without these facilities a stupendous speculation was developed, and it is believed that the transactions in the several board rooms and on the curb, carried on by night as well as by day, nearly equaled the sales of the Stock Exchange during its recent best year.

It has already been seen how war stimulates stock markets, and the War of the Rebellion with its fearful hazards, its enormous output of fiat money and new securities created a speculation which, for excitement, has not been exceeded since. Besides the regular stock board, which in 1863 changed its name to its present title, The New York Stock Exchange, there was organized in 1864 the open board of stock brokers, and also the New York Gold Exchange, while, as has been said, there were immense dealings on the curb and at night in the corridors of the Fifth Avenue Hotel. Night exchanges were started uptown. Gallagher's Stock Exchange opened in West 24th Street on April 15, 1865, and had accommodations for 1200 persons. Among these "accommodations" were a bar and a billiard room. It was during this period that the Harlem,

the Prairie du Chien, and the Fort Wayne corners occurred. The collapse of the Fort Wayne deal in 1864 caused a stock panic of no small dimension. In 1865 the Exchange had, in the name of a building company, a new $450,000 home erected for itself in Broad Street, covering a part of the site of the present Exchange. The board room was on the second floor, while the ground floor was leased to a number of brokers who used it for conducting business between calls. Members and non-members were admitted in this room on payment of an annual fee.

In 1869 an event occurred of large importance. The Stock Exchange and the open board of brokers were consolidated and a radical change in government took place. Already, in the year previous, memberships had been made transferable by sale, and new members instead of being elected by ballot were chosen by a committee on admission. In 1869 the government of the Exchange, instead of being carried on directly by the members, was vested in a Governing Committee elected by the members, with powers corresponding to those of a board of directors of a corporation. In the Exchange thus consolidated, dealings instead of being limited to call were made continuously during the Exchange hours and were prohibited thereafter. At last, after many years, Wall Street had an exchange representative of its whole body of brokers and adequate for the transaction of an immense business. The consolidated membership was 1060 which was afterward increased to 1100, its present limit. In 1871 the Exchange remodeled its building and became a thoroughly modern institution, in a true sense "a public mirror of values."[1] An important reform of 1869 had been the establishment of an exchange law requiring shares of active stocks to be registered with some satisfactory agency, thus doing away with the fraud and abuse of secret issues of

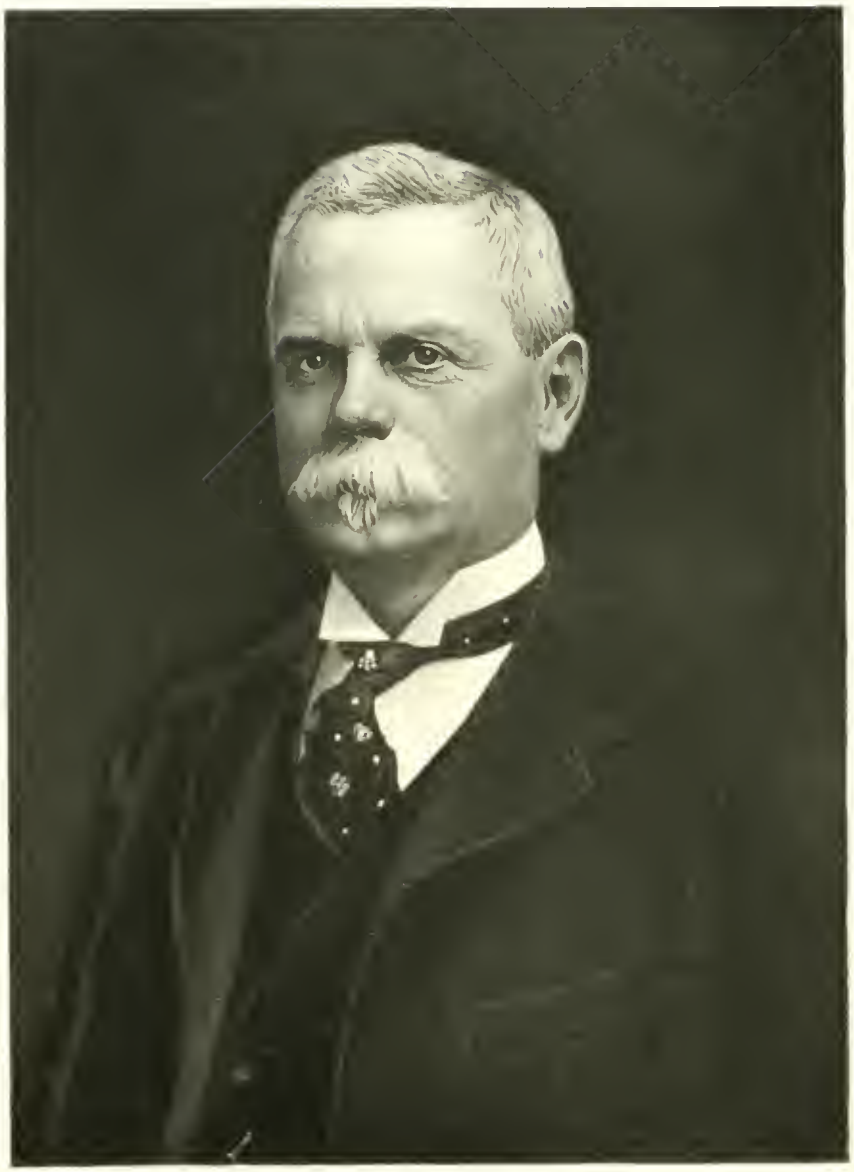
[1] Conant, *Wall Street and the Country*, p. 68.

stock and their sale before the fact of issue had been made public.

In 1868, before the consolidation of the two boards, it was estimated that the official sales at the two boards aggregated 19,713,402 shares of stock and $245,245,240 par value of bonds, but this was only a small part of the actual business of the street. "To-day," wrote Medbery in 1870, "the New York Stock Exchange eclipses all other organizations in the world for wealth. The daily credits and deposits of brokers in city banks and trust companies are estimated in hundreds of millions, and the par value of annual sales made at the boards and over the country are computed as considerably exceeding $22,000,000,000. This notable increase in financial importance has been attended by corresponding results. Speculations which in former times swept over the Street like a monsoon now produce mere ripples. A healthy conservatism and a profound sense of responsibility lay at the base of the vast proportion of operations." He called attention to the important results of the consolidation and said that the Governing Committee had three vital objects to serve; first, a rigid scrutiny of all securities dealt in: second, a surveillance over members in respect to their fidelity to contracts, and, third, a systematization of the whole business of brokers so far as it relates to the intercourse of members.

The Stock Exchange, on the whole, has in the past thirty-seven years provided a wise regulation of the stock market, giving increased safeguards for investments and constantly extending the area of that publicity by which alone the dangers incident to transactions in stocks may be diminished and the benefits correspondingly magnified.

While it was true, as Medbery boasted, that a healthy conservatism and a profound sense of responsibility lay at the base of the vast proportion of operations, yet even as he



S. Spencer

SAMUEL SPENCER

Railway president; born at Columbus, Georgia, March 2, 1847. Served in the Confederate Army in the "Nelson Rangers." Graduated with first honors at the University of Georgia in 1867 and at the University of Virginia in 1869. After employment in several railroads, in 1889 he became associated with the house of Drexel, Morgan & Company as railroad expert, and in 1894 became President of the Southern Railway Company upon the formation of that Company. At the time of his death was President of the Southern Railway Company; Mobile & Ohio Railroad Company; Alabama Great Southern Railroad Company; Cincinnati, New Orleans & Texas Pacific Railway Company; Georgia Southern & Florida Railway Company; Northern Alabama Railway Company. Was a director of the following companies: Alabama Great Southern Railway Company (Limited), England; Central of Georgia Railway Company; Chicago, Milwaukee & St. Paul Railway Company; Erie Railroad Company; Old Dominion Steamship Company; Richmond, Fredericksburg & Potomac Railroad Company; Standard Trust Company of New York; Hanover National Bank of New York; Trust Company of America, New York; Western Union Telegraph Company. He was also a member of the New York Chamber of Commerce. Died November 29, 1906.

wrote the Erie wars were in progress, and in the year preceding, on September 24th, occurred the famous Black Friday panic which was the culmination of the gold conspiracy engineered by Jay Gould and James Fisk. It should be said that the gold speculation was not carried on in the Stock Exchange, but in the Gold Exchange organized especially for that purpose and which for several years was the center of an excited speculation. The premium on gold finally disappeared, and in 1879 specie payments were definitely resumed.

The gold conspiracy and the Erie wars make dramatic chapters in the history of speculation. They were the subject of government investigation and have been the theme of many books. They must, however, be dismissed with the merest reference in this review. Both illustrate all that is most wicked and demoralizing in corporation management, stock market manipulation, and criminal speculation. The Congressional report on the gold corner compared the power of Fisk in Wall Street with the malign influence which Cataline exercised in Rome. Adams, in his brilliant account of the Erie wars, described the transactions as the acts of "freebooters." The Black Friday panic, although brought about by the speculation in gold, communicated itself to the stock market, and there were fourteen failures on the Stock Exchange. The Erie wars lasted for twenty years, from 1852 to 1872, when Gould, who had succeeded in getting control of the road after a long contest between Commodore Vanderbilt and Daniel Drew, was himself driven from power. The Drew device of issuing new stock and flooding the market with it and then preventing its transfer on the books was copied by Gould. Adams declared that it was the most extraordinary feat of financial legerdemain ever recorded. There have been several expert exhibitions of financial legerdemain in our

own days, but this particular device is now impossible under the rules of the Exchange, and it may be said that every year makes it more and more difficult to play the game of business with marked cards.

The Chicago fire on October 8, 1871, and the Boston fire on November 9, 1872, caused several failures in the Stock Exchange, and in 1873 the long period of war inflation, during which time there were vast railroad constructions, notably that of the first transcontinental line, came to an end in one of the widespread and devastating panics which occur about once in every twenty years, with a minor convulsion midway between. The panic started with the failure on September 18, 1873, of the firm of Jay Cooke & Co., promoters of the Northern Pacific Railroad, and so severe was the collapse in prices that it was almost impossible to market securities, and "in the vicinity of the Exchange, people seemed to have taken leave of their senses." Two days later, September 20th, the Exchange closed its doors and its business was suspended for ten days. Never since has the Exchange been obliged to resort to such a measure of protection as that. There were fifty-seven Stock Exchange failures, besides a multitude of insolvencies throughout the country in every branch of trade.

The period of depression following the panic lasted until 1879 when, with the resumption of specie payments and a restoration of confidence, another business boom set in, which though checked by the assassination of Garfield in 1881, did not end until the minor panic of 1884, in which occurred the failures of Grant & Ward and the Marine Bank. A stock market incident of this panic was the failure of A. S. Hatch, president of the Exchange, who had just been reëlected. He had to resign and at a special election J. Edward Simmons was chosen as his successor. There were, all told, fifteen Stock Exchange failures in this

panic. It was during this period that S. V. White conducted his celebrated corner in Lackawanna, and the great bear operations of C. F. Woerishoffer and Addison Cammack were carried on. In 1885 the Exchange established a department of unlisted securities so as to permit dealings in the stocks of industrial companies which could not or would not furnish the information of financial conditions required of railroad companies. This step was practically forced upon the Exchange by the demoralization in railroad stocks resulting from the extreme and wasteful competition in rates. Only a very small proportion of the securities dealt in were in the unlisted class, and in April, 1910, the "unlisted department" was abolished.

In 1892 the Exchange added immensely to the capacity and stability of the stock market by establishing a system of stock clearings. This applied the principle of clearing checks, established with such advantage between the banks, to the operations of the stock market. A limit had been reached to the ability of the banks in the certification of brokers' checks. Over-certification was not only illegal but had been carried on to an extent that became dangerous. The stock clearing house by eliminating over 60 per cent. of the certification otherwise required removed this danger and at the same time extended almost indefinitely the capacity of the stock market. It is conceded that but for this system the panic of 1893, which occurred one year after the organization of the Clearing House, would have been even more disastrous to Wall Street than that of 1873. But while the total value of the stocks cleared in 1893 amounted to $16,169,800,000, the amount of check certification required was only $1,470,700,000, and the burden upon the banks was immensely lightened. In 1901, the year of memorable speculation, the value of the stocks cleared was $77,853,500,000 while the certification required was only $10,930,850,600.

But for the clearing system the certification required would have been $27,995,896,400. It is safe to say that the stock market would have broken down under such a load. In 1906 when the volume of speculation was even greater, the money market, even with the aid of the clearing system, had difficulty in meeting the needs of the stock market and those of the expanding trade of the country at the same time, and the suggestion was made, though not yet adopted, that the clearing system could be still further expanded by an amendment providing for semi-monthly settlements of stock balances while retaining the rule of daily settlements of cash balances. To Francis L. Eames the Exchange is largely indebted for the establishment of its clearing house.

The year 1893 was one of great excitement in Wall Street. Its first notable event was the collapse of the McLeod combination in Reading on February 20th. On May 4th the Cordage Trust broke with several failures and then followed a long series of disasters. The panic was precipitated by the free silver agitation and the fear of tariff revision. The nation saved itself from suspension of gold payments only by buying gold through the issue of bonds, and the merchants were protected from general insolvency only by the action of the Bank Clearing House in issuing loan certificates.

In 1895 there was another stock market eruption caused by President Cleveland's Venezuelan message, which threatened war with England. The depression lasted until 1896, when the election of McKinley on a gold standard pledge started the country on the most remarkable period of expansion it has ever known and which lasted until 1907, with only moderate recessions in 1900 and 1903. The victorious war with Spain, increasing the international prestige of the United States, helped rather than retarded the boom. The stupendous production of gold, interrupted only

by the Boer War and facilitated by the cheaper processes of mining, expanded the world's money circulation. A succession of splendid crops rescued our great West from debt and gave it a surplus of wealth. During this period measures of enormous economic significance were taken to give order to competitive business. Vast combinations of capital in railroad and industrial enterprises were entered into, and such power given to American commerce and finance that two Secretaries of State, Hay and Root, publicly announced that the United States from being a debtor nation had become a creditor nation and that the financial center had passed from the Thames to the Hudson.

This was a period of financial concentration. Mr. Morgan organized the billion-dollar Steel Corporation which has given stability to the steel trade and at the same time furnished the country with its most notable illustration of the value of corporation publicity. Other industrial companies of immense size, banks with $25,000,000 capital, railroad systems that divided the country into seven or eight groups were formed, and industrial order took the place of commercial anarchy which had so long prevailed to the injury of both producer and consumer, and capital and labor. In this notable work such names as J. Pierpont Morgan, John D. Rockefeller, James J. Hill, E. H. Harriman, Thomas F. Ryan, James Stillman, Jacob H. Schiff, August Belmont, and George Westinghouse became eminent. "Captains of industry" was the term appropriately applied to these leaders and others who, like them, engineered the industrial uplift. But they could not have accomplished their work without the facilities of the Stock Exchange and its regulated, open, stock market. Andrew Carnegie, the great organizer of the steel trade, not long ago gave utterance to a scathing criticism of Wall Street and said that he wished he could invent a system whereby both parties to

stock gambling would suffer. Mr. Carnegie, however, failed to make a proper distinction between speculation and gambling; and if it had not been for the machinery of the stock market with its facilities for speculation, he could never have capitalized his great fortune by converting it into the bonds of the United States Steel Corporation. Moreover that corporation could not have been brought into being without the assistance of the Stock Exchange. If it is fair to attribute to the stock market the evils of over-capitalization, criminal promotion, crooked manipulation, and dangerous overtrading, then in all justice the credit should be accorded it for acting as the world's agent in supplying the capital required for the development of the stupendous enterprises which have in the last fifteen years made this the richest country on the globe.

The most sensational Wall Street incident of this period occurred in May, 1901, when there was an extraordinary stock panic caused by the contest for the control of the Northern Pacific between the two most powerful financial interests in the country. The sales of stock on May 9, 1901, were the largest on record, 3,336,695 shares. In 1903 there was a rich man's panic, otherwise called "the panic of undigested securities," from a phrase invented by J. Pierpont Morgan. There was a severe decline in stock prices, but this was followed by another upward movement and in 1906 every high record of trade and speculation, transportation and banking, was broken and another "high water mark" of American prosperity was touched. The history of this period may be traced in the average price of twenty railway stocks as compiled by *The Wall Street Journal*. In the free silver campaign of 1896 the average price was $41.82. After numerous fluctuations, it advanced to $129.30 in September, 1902. In the reaction of 1903 it dropped to $88.80, but in 1906 it established a new high

Wm. T. Franklin

WILLIAM ALMY WHEELOCK

Banker; born in Providence, R. I., March 23, 1825; son Joseph and Amelia (Ames) Wheelock; educated at New York University; married in Buffalo to Harriet Efner. Has been director of the Central National Bank, the American Surety Co., the Equitable Life Assurance Society, the Gold & Stock Telegraph Co., and prominently connected with other financial institutions. Retired from active service in 1864. Member American Fine Arts Society, the New England Society, Metropolitan Museum of Art, and of American Museum of Natural History, and president of Council of New York University. Was president of Central National Bank for fifteen years, resigning in 1887. Died July 6, 1905.

record at $138.36 with a subsequent sharp decline in the panic year 1907.

The history of the period may also be traced in the price of Stock Exchange memberships, or "seats" as they are called. In 1896 the price was as low as $13,000. From this there was an advance to $80,000 in 1901, with a decline to $60,000 in 1903, and a subsequent rise to $95,000 in 1906. At the latter price the 1100 Stock Exchange memberships had an aggregate market value of $104,500,000. In 1909 "seats" sold even higher, at $96,000, but in 1911 they declined to $65,000 and in 1913 to $45,000.

Likewise the record of the total sales of the Exchange revealed in large measure the history of this period. In 1896 the total sales of stocks amounted to 54,654,096 shares or 18,000,000 shares less than in 1879 and 63,000,000 shares less than in the boom year of 1881. But in 1901 when prosperity again prevailed, a total of 265,944,650 shares was recorded and the money value of the stocks and bonds traded in was over $26,000,000,000. During the next four years this total was not reached, but in 1906 the total shares dealt in was 286,006,051 and the bond transactions were $675,377,050, making a total par value of sales of $29,275,000,000. When on February 11, 1892, the day's trading aggregated 1,446,915 shares, which for seven years remained the high record of activity for one day, the country was amazed. But in 1906 there were 125 days in which the sales exceeded 1,000,000 shares and there were three days in which the total exceeded 2,000,000 shares. This activity was in spite of the disaster of the San Francisco earthquake and fire and the world-wide stringency in the money market, the rate of interest, moving with the higher cost of living, having gone on a higher level.

Indeed at the very time of the enormous speculation of 1906, business and political conditions at home and abroad

were rapidly developing into one of those great economic crises which periodically arrest the industries of the world. Early in 1907 keen observers had begun to see the signs of approaching disaster, and in October the panic of 1907 culminated. This was so acute that the clearing houses of the country issued an aggregate of $248,279,000 of loan certificates, the issue in New York alone being $101,060,000. The panic was attended with the usual accompaniment of financial and commercial failures and was followed by a long period of varying inactivity in industry and trade, lasting until 1912. The volume of Stock Exchange sales of stocks declined to 196,438,824 shares in 1907 and to 127,208,258 shares in 1911.

It should be remembered in reviewing the record of the Stock Exchange that it is its sensational side that chiefly passes into history while its great constructive work is done in comparative obscurity. One hears of the panics, but the operations by which investment and enterprise are brought together often go unnoticed. It is a common saying in Wall Street that only bear markets make news. Bull markets, on the other side, make wealth.

As an institution the Stock Exchange was not concerned in the movement for corporation reform which has been the commanding feature of governmental policy since 1901. The stock market was at times severely strained by the various investigations and court proceedings, the enforcement of the Sherman Anti-Trust Law, the enactment of a railroad rate law, and the measures taken for the establishment of fairer methods of competition. The collapse in 1907, while due chiefly to international money conditions, and to the clashing of powerful financial interests, may be attributed in part to this contest between the Federal Government and the financial powers represented in some of the interstate corporations. The concentration of capital

had become so immense during this period that it seemed necessary to invoke the Federal power to subject it to reasonable regulation.

During this memorable period when, as never before, except in Jackson's administration, the political power and the financial power clashed, the sentiment of Wall Street was divided. Many condemned what they termed the governmental interference with business, while others supported the popular demand for publicity and regulation. Without going into the merits of this controversy, the point should be made in behalf of the stock market that while it is frequently used by unscrupulous persons, yet as a market it is the freest in the world, being open to all on equal terms. Nowhere else is competition better established than in the Stock Exchange, while the Exchange by its rules and regulations tries to protect the freedom of this competition.

Since the panic of 1907, moreover, important changes have been effected in the machinery of Wall Street, changes which have strengthened the financial system and removed many causes of popular criticism and discontent.

These changes include an increase in the requirements of publicity, a notable expansion of the membership of the Bank Clearing House, the issuance of a more comprehensive bank statement, and, lastly, a number of amendments of the rules and regulations of the Stock Exchange by which new safeguards are provided both for investors and speculators. Next to the admission of the leading trust companies into the Clearing House, the most notable advance which has been made in the financial center of this country in recent years has been the improvement of the Stock Exchange system. This improvement was in large part the outcome of the investigation of the speculative exchanges made in 1909 by a commission appointed by Governor Hughes, of which commission Mr. Horace White, the well known

economist, was chairman. This commission, while upholding the essential soundness of the Stock Exchange system, made a number of criticisms and recommendations. It is to the credit of the Stock Exchange authorities that they quickly carried out most of the recommendations, this requiring many amendments to the by-laws. The most important recommendation was that the Unlisted Department should be abolished, and this, as already stated, was carried into effect early in 1910.

On April 22, 1903, the Stock Exchange opened its present building, which is undoubtedly the best appointed bourse in the world. During its construction the Board held its sessions in the Produce Exchange on Beaver Street. The new building has a frontage of 137 feet 8½ inches on Broad Street, 152 feet 10 inches on New Street, and a narrow opening of 14 feet 2 inches on Wall Street. It is constructed of white Georgia marble, the style of the architecture being Roman Renaissance. The most conspicuous features of the Broad and New Street fronts are the high Corinthian columns and several groups of statuary by John Quincy Adams Ward. The board room is a magnificent expanse of 1,169,352 cubic feet. The annunciator boards, operated by electricity, which serve to summon brokers when non-members wish to speak to them, cover 800 square feet and require 8000 separate electric wires to operate. The cost of the building was in the neighborhood of $4,000,000, and it is one of the architectural features of the city.

There is nothing mysterious or complicated in the Stock Exchange system. It is easy to understand, although it requires a peculiar order of talent to operate skillfully. The Stock Exchange is an unincorporated body of 1100 members engaged in the business of buying and selling securities either for themselves or on specified commissions for outsiders. The objects of the Exchange, as explained in its

William E. Corey

new constitution adopted in March, 1902, are "to furnish exchange rooms and other facilities for the convenient transaction of their business by its members as brokers; to maintain high standards of commercial honor and integrity among its members; and to promote and inculcate just and equitable principles of trade and business."

From 10 A.M. to 3 P.M. dealings are permitted on the floor of the Exchange in such securities as the governing committee has, after strict examination, admitted. The members are prohibited from trading after hours or outside of the board room. There are no calls of securities as in former days. The more active stocks are assigned to different designated positions or posts in the board room, and a member wishing to buy or sell a certain stock goes to the position assigned to it and announces his bid or offer. Nothing could be more simple. All business is done by word of mouth, and the oral contract is as binding as a written contract would be outside. A broker, let us say, offers to sell 500 shares of Union Pacific at 140. If no buyer appears at that figure he is forced, if he must sell, to offer it at $\frac{1}{8}$ of 1 per cent. or $139\frac{7}{8}$ and so on by $\frac{1}{8}$ recessions until a bidder appears. The sale made, both brokers record the transaction on pads which they carry, and report it to their offices. No exchange of securities takes place on the board. What occurs there is a verbal promise to sell and to buy. It is, however, a real transaction and involves an actual exchange of property later. All offers made and accepted are binding, and nowhere else in the world are such enormous obligations entered into by word of mouth. The transactions may be for "cash," that is to say, delivery on the day of sale, or "regular," which involves delivery in the business day following the sale or at three days: that is, delivery in three days, or at buyer's and seller's options for not less than four or more than sixty days.

The bulk of the transactions are "regular." No fictitious or, to use the Street term, "wash" sales are permitted, nor are dealings in puts and calls allowed, these being considered as mere bets on prices. All deliveries of securities must be made before 2.15 P.M., in lots of 100 shares or multiples thereof in the case of stocks, or of $10,000 or multiples thereof in the case of bonds. Transactions in odd lots, however, take place in considerable quantities.

After the sale is made in the board room the transaction is completed outside, either through the Stock Clearing House or ex-Clearing House. Comparison or Clearing House slips are exchanged, and on or before the time fixed for delivery the seller delivers the securities sold to the buyer or, if the transaction goes through the Clearing House, to a party designated by the Clearing House. The securities bought are paid for in full, on delivery, by certified check. Between the brokers, therefore, the transactions are essentially cash transactions. It is in the relations of the brokers to their customers that the principle of credit enters in. Any reputable person who can give a satisfactory reference can go to a Stock Exchange broker and, by making a deposit equal usually to 10 per cent. of the value of the securities to be dealt in, can give an order to buy or sell such stocks or bonds as he may designate. The broker, therefore, provides 90 per cent. of the capital required to carry on the transaction. This he is able to do by the use of his own capital and also by obtaining loans from banks or trust companies, using the stocks or bonds purchased for his customers as collateral for these loans. The banks usually require from the brokers a margin of 20 per cent. on the value of the securities thus hypothecated. The broker charges his customer a commission of ⅛ of 1 per cent. both for buying and for selling, and also interest upon the amount of the credit which he gives him.

Although there are fourteen stock exchanges in the principal cities of the United States, the New York Stock Exchange is the only one which is truly national in its membership and in the scope of its transactions. Every section and almost every industry of the country is represented on the list of its admitted securities, while of the 590 firms identified with it, 83 are in other cities. Of the 1100 members, 104 have their offices in Chicago, St. Louis, Philadelphia, Boston, Pittsburg, Buffalo, Minneapolis, Rochester, Richmond, Hartford, Baltimore, Washington, Cleveland, Kansas City, Cincinnati, Erie, Detroit, Newark, New Orleans, and Los Angeles. Over three hundred of the firms represented in the Exchange maintain 505 branch offices located in every part of Greater New York, and also in Berlin, Germany; London, England; Paris, France; and in Montreal Toronto, Ottawa, and Hamilton, Canada; as well as in upwards of one hundred different cities and towns of the United States. The business of the Exchange, therefore, comes from all parts of the country, as well as from the principal markets of Europe. It has been roughly estimated that there are on an average of 60,000 persons trading in the stock market all the time, and as the personnel of the dealers is constantly changing, this means that millions of people are interested in the stock market during the course of a year.

Not all of the 1100 members of the Exchange act as brokers. There is a large body of room traders, that is to say, members who trade for their own account only. Then there are a number of members who rarely, if ever, enter the Exchange, but who, as important principals, buy and sell through other members. By virtue of their own membership they gain the reduced commissions charged to members. There are also many members who do business almost exclusively as brokers for other brokers. These are commonly called $2 brokers because their commission in serv-

ing other members whose names they "give up" amounts to $2 per 100 shares. The commission which the laws of the Exchange establish for members doing business for non-members amounts to $12.50 per 100 shares.

Every important banking house is represented by at least one of its partners in the Exchange, but it is a mistake to suppose that every great name in the financial world is on the membership roll. For instance, J. Pierpont Morgan, Jacob H. Schiff, and James Speyer are not members, although their banking houses are represented and the sons of Mr. Morgan and Mr. Schiff are members. James R. Keene, for many years considered one of the most expert organizers of stock market movements, is not a member.

On the other hand, John D. Rockefeller and William Rockefeller, who have not in years entered the Exchange, are members. The same is true of George Gould, Edwin Gould, and Frank J. Gould, sons of Jay Gould. One of the most noted members of the Exchange was E. H. Harriman, admitted in 1870, once active as a broker and trader, later one of the seven controlling personalities in the railroad world until his death. It may be said that it was by his genius not only in railroad organization but also in the knowledge of the stock market and its movements that he was able to achieve the wonders he wrought. Another well-known member of the Exchange is August Belmont whose house has for two or three generations represented the Rothschilds in America. Edwin Hawley was also a member until his death in 1911.

Although in active board business the Stock Exchange is essentially a young men's institution, there are still names on its rolls which have been there since 1869 or before. Among these are J. H. Whitehouse admitted in 1857, Henry Clews, admitted in 1864, who has been prominent in the Street for over forty years and who has published

a book of Wall Street reminiscences;[1] Francis L. Eames, James Seligman of the well-known banking house of J. W. Seligman & Co.; E. C. Benedict, known as one of the closest friends of ex-President Cleveland; and also L. D. Alexander, J. M. Amory, W. F. Bishop, E. H. Bonner, S. W. Boocock, A. M. Cahoone, H. G. Campbell, W. T. Colbron, A. H. Combs, E. S. Connor, G. F. Cummings, Charles S. Day, E. A. De Mauriac, W. B. Dickerman, L. G. Fisher, H. S. Germond, R. Suydam Grant, Charles Gregory, W. S. Gurnee, Albert J. Hatch, Louis P. Henop, John H. Jacquelin, A. Josephson, A. M. Judson, W. B. Lawrence, C. H. Leland, G. J. Losea, R. P. Lownsbery, J. Edward Mastin, J. R. Maxwell, P. H. Minis, Donald Mackay, H. J. Morse, F. Nathan, E. L. Oppenheim, A. I. Ormsbee, S. M. Schafer, F. K. Sturgis, T. W. Thorne, D. B. Van Emburgh, A. H. Vernan, W. B. Wadsworth, Joseph Walker, and W. G. Wiley.

That in an institution limited to 1100 members, in a business involving such nervous strain and pecuniary risks as that of the Stock Exchange, there should be found forty-nine men who were admitted forty-three or more years ago, one having been admitted fifty-five years ago, is certainly remarkable. After all, the physical strain, the pecuniary risks of legitimate stock brokerage are not so great as is generally supposed. The number of insolvencies, especially in recent years, has been extraordinarily few.

Among other members of the Exchange known for their activities in various directions may be mentioned: A. S. Heidelbach, of Heidelbach, Ickelheimer & Co.; H. L. Higginson, of the well-known Boston house of Lee & Higginson; Rudolph Keppler, for several years president of the Exchange; R. P. Doremus, long chairman of the Clearing House Committee; Bernard M. Baruch, William Baylis, C. Ledyard Blair, Walton H. Brown, Daniel Chauncey, A. M. Cahoone,

[1] *Twenty-eight Years in Wall Street.*

Harry Content, John H. Davis, W. M. Donald, Jacob Field, F. S. Flower, Ernest Groesbeck, A. E. Goodhart, R. Suydam Grant, C. I. Hudson, Howard H. Henry, Colgate Hoyt, C. W. Maury, T. L. Manson, Eugene Meyer, Jr., H. K. Pomroy, George B. Post, Jr., E. C. Potter, J. D. Probst, F. L. Rodewald, F. W. Savin, W. M. Scheftel, G. B. Schley, Leo Speyer, Henry C. Swords, James B. Tailer, H. C. Taylor, Edward Wasserman, Louis Wolf, Thomas F. Woodlock, Isidor Wormser, Jr., L. Zimmermann, James B. Mabon and R. H. Thomas, formerly president of the Exchange, and who holds the record for length of service in that office.

Few realize the value of the services performed by the New York Stock Exchange in protecting the stock and bond securities of the country. Every stock and bond listed on the Exchange is required to be engraved in a certain specified manner so as to prevent forgery, and to be properly registered so as to prevent fraud. The rules of the Exchange governing admission to the list specify a number of important requirements, all intended to protect investors. This service alone entitles the Stock Exchange to the gratitude of the investors of the country. When it is said that from 1888 to 1906 there were listed by the Stock Exchange $10,915,000,000, par value of bonds and $9,402,000,000 par value of stock, a total of $20,317,000,000 or an average of $1,128,000,000 a year, some conception is obtained of the magnitude of this service. In 1911, the total of stocks and bonds then admitted to the privileges of the Exchange was $24,374,081,323. This was an increase in nine years in the total of securities admitted to the Exchange of over $9,000,000,000. The securities represented in the Stock Exchange amount to four fifths of the total securities in the country, and to nearly one fifth of the total estimated wealth of the United States.

The evils incident to a stock market have led some to

SMELTING PLANT AT GARFIELD, UTAH

This typical plant of the American Smelting & Refining Co., situated at Garfield, near Salt Lake City, was under construction during the years 1905-1906, and was in actual operation in August, 1906. The principal product is copper bullion, of which the output is about 170,000,000 pounds per year. The number of men employed is about 1200. This is only one of several plants operated by the American Smelting & Refining Co. in different parts of the West, in Mexico, and elsewhere.

propose the abolition by law of the Stock Exchange. Such a proposition is inspired by ignorance and prejudice. Just as civilization has its dark slums and nameless crimes from which barbarism is exempt, so the modern financial system has its abuses and dangers from which the older and simpler system of trading was exempt, but as we would not exchange civilization with all its evils for barbarism, so it would be equally absurd to abolish the credit and stock markets because of their abuses. The panic which comes with periodic and devastating power is a product of the modern financial system. It is a direct result of over-extension of credit and over-speculation, but we might with just as much sense abolish the railroad because of the certainty of accident at frequent intervals, or stop building cities because of the ever-present peril of great conflagrations, as to abolish the modern financial system of credit and stocks because it results about once in every twenty years in a world-wide financial crisis called "panic."

All the transactions of trade involve the taking of risks. Speculation, a term common both to philosophy and business, means the making of an investment involving large risk with the chance of large profit, this investment being entered into, however, after intelligent consideration of the risks. From the very beginnings of the English and French stock markets, speculation has been the object of attack. Odium attached to it not unlike that which attended in the earliest days the lending of money, which was then called "usury." Governments attempted to regulate and even to prevent it; and for more than two centuries the functions of the stock market have not been properly understood and appreciated. The Stock Exchange has been for years denounced as a gambling house and represented as a den of thieves. Even as recently as 1906 one of the highest officials in the American government declared

that speculation in neither stocks nor lands contributes in any degree to the development of the resources of our country, to the expansion of our trade, or to the continuation of our industrial activity. This statement is a most extraordinary misconception and misstatement. Nevertheless it does reflect in some degree the public idea of the place of the Stock Exchange. This idea is that it performs no great national function, that it contributes in no way to the common wealth, and that it is a source of evil and wrong by giving opportunity for gambling. It is no part of my task to enter into an elaborate defense of speculation or even give a detailed description of the functions of the stock market, but it is necessary that this subject should be touched upon in order to comprehend the history of the Stock Exchange in its relation to the development of the nation. President Hadley of Yale University in a recent address said: "The objections urged against modern trade ethics are two: First, that modern trade in its larger forms is not an attempt to meet public needs. It is mere speculation—gambling or something worse. Second, that fair competition does not exist except when buyer and seller are on equal terms. Much of the present-day speculation is bad. But side by side with the bad there is much that is good and indeed necessary. The first essential in right speculation is that a man must be really able to make good his guarantees as to the future."

President Hadley approaches pretty closely to the actual truth and yet he does not develop the truth in its fullness. It is not speculation, but the abuse of speculation which is bad. The abuse of speculation is the result, first, of entering into large risks with inadequate capital and without intelligent observation of conditions, and this is not speculation at all but mere gambling. The result, second, of unfair methods of competition. The development of the organized

stock market has constantly tended to enlarge the area of that publicity which is essential to fair competition, and also to the extension of safeguards against illegitimate overtrading.

The Stock Exchange provides a regulated market by which investments in corporation securities may be exchanged. It is like the bank and the railroad, really a part of the mighty system of transportation which contributes to the wealth of the world by affording the facilities by which production and consumption may be brought together. The stock market promotes that mobility of capital by which continental enterprises are promoted and human wants are filled. Its operations tend to regulate supply and demand so that the one shall not be in excess of the other. It affords a conclusive test of values, and its wide publicity of quotations safeguards investments and guarantees values in all parts of the country. The legitimate speculation which takes place in it has its economic value in that it makes a continuous market in which investors can instantly put their surplus earnings into securities and as quickly convert their securities into money. Thus it promotes thrift and enterprise, and gives to the commerce of the country a national leadership and community of purpose by which national life is expanded and the national power spread over the globe.

Louis Windmüller

LOUIS WINDMULLER

Merchant; born in Westphalia, 1835; educated at gymnasium at Munster, emigrated to United States in 1853; since then resident of New York City, where he became a successful merchant. Has been associated with, and took part in founding the Title Guarantee & Trust Co., the German-American Insurance Co., the German Alliance Insurance Co., Maiden Lane Safe Deposit Co., Bond & Mortgage Guarantee Co.; is director of most of these; is president Maiden Lane Savings Bank. One of the founders and since 1889 treasurer of the Reform Club; one of the founders and vice-president Queensboro Chamber of Commerce; managing director Board of Trade and Transportation; agitated successfully for improvement of our state canals; member Chamber of Commerce; and member of number of charitable institutions, including Legal Aid Society, of which he is treasurer; vice-president of Heine Monument Society; treasurer Tree Planting Association; life member New York Historical Society; indefatigable pedestrian.

CHAPTER IX

THE COMMERCIAL PROGRESS OF GOTHAM

BY LOUIS WINDMULLER

WITHIN sixty years the population of the city of New York has increased from five hundred thousand to five million people. The foreign trade in 1850 amounted to:

Exports	$ 52,712,789
Imports	111,123,524
Total	$163,836,313

The foreign trade of New York in 1910 amounted to:

Exports	$651,986,356
Imports	935,990,958
Total	$1,587,977,314

exports being twelvefold, and imports ninefold, what they were sixty years ago. The foreign trade of the whole country in 1910 amounted to three thousand and five million dollars, so that nearly one half of the foreign commerce of the United States passed through the port of New York. The tonnage of American and foreign vessels engaged in our foreign trade was for the port of New York:

Cleared

Year ending June 30, 1850.....983,478 tons
Year ending June 30, 1910.....12,541,903 tons

Entered

Year ending June 30, 1850.....1,145,331 tons
Year ending June 30, 1910.....13,042,818 tons

The testimony of an eye-witness to these changes, and his reminiscences of men who assisted in the development, should be interesting.

The Croton Reservoir, which supplied the city, was on the site of the Public Library, and had the appearance of a fortress. Small as the basin was, covering half a block, it furnished water for the whole city. Complaints of insufficient supply came only from owners who had erected their houses above the street level. Around the ramparts of that "fortress" a comfortable walk was available for pedestrians who did not mind the ascent of an easy flight of stairs.

On many Sunday afternoons we went to view from these breastworks the ground upon which a greater city was to rise. A few structures only were in sight to the north. The most conspicuous, Rutgers academy for the education of women, with its serpentine fronts and "swell" windows, occupied the block on the east of the Avenue from Forty-first to Forty-Second Street. St. Patrick's Gothic Cathedral, destined to become the finest church on the continent, was not planned but Catholics owned the site; the flower of their flock continued to worship in Mott Street. A vast asylum absorbed the block on the east side of Fifth Avenue between Fifty-first and Fifty-second Streets; the Union Club has since erected a home on the corner, and the Vanderbilt mansions are opposite. Squatters, with

grunting pigs and chattering geese, controlled the territory between the Arsenal and McGowan's Pass; Vaux and Olmsted have made it the finest park of which any city can boast. Fifth Avenue had been lined with sombrous dwellings which reflected the brown study of their occupants. Many continue to offend the eyes; others have been changed into shops of a brighter hue and more attractive styles. As their business increases, the thrifty tenants will probably transform this avenue, from Madison Square to the Park, into an American "Rue de Rivoli" if avaricious owners can be prevented from building too high in the air.

Of the boroughs which were annexed in 1898, Brooklyn was and remains the most important. It is, as it always has been, a city of homes. Devoid of palaces, it is free of slums. The "Heights" offered eligible sites for the dwellings of merchants whose business was in lower Manhattan. To the benefit of good air and the attraction of fine views, the eloquence of Henry Ward Beecher was added when he was minister of Plymouth Church; other preachers, like Dr. Storrs, contributed fame to the city of churches. No wonder that the families of Judge Pierrepont, Edward M. Shepard, Alfred T. White, George Foster Peabody, the "Schroeders," and their friends, filled every available block as far as Clinton and Court Streets. No indication of development beyond was evident. Here and there Dutch farmhouses, surrounded by hotbeds, remained the only familiar signs of civilization until Prospect Park was laid out. South Brooklyn, where Henry C. Murphy and J. S. T. Stranahan lived, was in bad repute on account of malaria. Many localities, including the separate community of Williamsburg, suffered temporarily from a collapse of speculation in building lots which culminated during the panic of 1857.

A friend of the writer had agreed with the tenant of

one of his houses on Bedford Avenue to let him remain rent free until prosperity should enable him to resume payments, but he was surprised to see him remove his furniture a few days later. The tenant explained his behavior by showing the exasperated landlord an offer of the use of a better home for taking care of it; but the houses did not go begging long. Ex-Mayor Kalbfleisch made chemicals in the Eastern District.

Staten Island, now the Borough of Richmond, has changed in character less than other annexed districts. It is covered with unostentatious, comfortable homes surrounded by shrubbery, and looks what it is—the ideal spot, chosen for the dwellings of refined and happy families. When we gaze at those hills, as we glide through the narrow channel which separates it from Long Island, we appreciate why this emerald spot, the gem of our port, was long a bone of contention between the English and the Dutch.

The banks of the romantic Bronx River, named after Jonas Bronck, a patroon from Germany, did not become generally known until the city acquired for parks, botanical and zoological gardens, the most attractive sites. Pierre Lorillard continued to grind, on the shores of the babbling brook, the pungent snuff by the sale of which, at 16 Chambers Street, he made a fortune; and "Papa" Bodouin had already acquired a reputation for that Burgundy wine which has made his "Hermitage" the popular resort of Williamsbridge.

Queens was chiefly visited by people who wanted to attend the races. A turnpike led from Paynter's, whose house was once the scene of an engagement between Washington's army and the British, near Hunter's, the sponsor of Hunter's Point, to the race course at the second tollgate. The turnpike was named after John C. Jackson, who sold job lots of crockery in Water Street. A jovial Englishman

with florid complexion, he married Captain Riker's daughter, the wealthiest heiress on the island. After her husband's death, she moved to New Jersey, and took the colonial homestead she was born and bred in on "Oakhill," piecemeal with her. Her daughter married J. L. Riker, the Cedar Street merchant. From the race course the turnpike led to St. Ronan's well near Flushing Creek. The waters of this spring, celebrated for their healing properties, had already been used by Indians. A popular resort was established on the brow of the hill, where guests continued to enjoy the water with other refreshments, until speculators filled the spa and leveled the hillsite.

John Aspinwall resided in Flushing, and Senator Rufus King settled in Jamaica. Among the fashionable quarters of New York families in Manhattan was the Bowling Green. In 1815 the ground which faced it was sold for dwellings by the government. A restriction that the houses should be of uniform size with gardens fronting the street induced wealthy merchants to build there. Robert Fulton lived and died in "Marketfield," in that neighborhood. The light red brick and white marble trimmings, with flowers and shrubbery in the front yards, long remained an ornament of lower Broadway. John Hone lived at the corner of Whitehall Street; Stephen Whitney, the last one to leave, was at the other end, on the corner of State Street. After the families vacated, these brick dwellings were occupied by the Oelrichs for offices of their Bremen steamers, by agents of the Cunard and French lines, and by foreign consuls. This entire square has been absorbed by an imposing Custom House. Where our Knickerbocker families entertained their guests, Mr. Loeb scares their descendants blue when he suspects them of smuggling. Plebeian individuals who import goods to sell are suspected by the nature of their calling.

The neighborhood of St. John's Park was a center of good society. Here were the homes of Alexander Hamilton, General Schuyler, and John Ericson; the families of the Aymars, and the Lydigs lived here. No vestige of the past remains but the old church, which rang the curfew bell at nine o'clock when other belfries had closed, and that seems to be doomed.

Gramercy Park, founded by Samuel B. Ruggles, continues as it was when chosen by Samuel J. Tilden, John Bigelow, and Peter Cooper for their respective residences. In Bond Street, Washington Irving, Dr. Francis Fenimore Cooper, and Julia Ward Howe lived. On Washington Square were the homes of Samuel F. B. Morse, the Rhinelanders, and William E. Curtis, who lived in summer on Staten Island. The gray stone building of the New York University embellished the east side for thirty-five years, until the college moved to Fordham.

Dr. Mott and John Austin Stevens lived on Bleecker Street; Thomas Paine died there in 1809. Jacob A. Westervelt, the shipwright, resided on East Broadway when he was Mayor in 1853. The families and friends of Preserved Fish were grouped around Stuyvesant Square; Senator Evarts's home was on Second Avenue near Fourteenth Street where Joseph H. Choate, his partner, became his genial neighbor. Evarts would never walk where he could ride; he died at 83, having been bedridden the last two years of his life. Choate who never rides where he can walk, is hale and hearty at eighty-one. Many good people owned charming brick cottages in Greenwich Village and Chelsea, which included London Terrace. Among them were George Bancroft, Horace Greeley, General Winfield Scott, and Edwin Forrest, who lived at 436 West Twenty-second Street.

We can best appreciate the character and location of the

H. B. Clapp

HORACE BRIGHAM CLAFLIN

Merchant; born in Milford, Mass., December 18, 1811; received his education in the common schools and Milford Academy. Began business as a clerk in his father's store, and in 1831, with his brother and brother-in-law, succeeded to his father's business. In 1832, opened drygoods store in Worcester. In 1843, Horace removed to New York and organized the house of Bulkley & Claflin, wholesale drygoods, at 46 Cedar Street. After several changes, due to the rapid expansion of the business, Mr. Claflin in 1851 erected the Trinity Building, at 111 Broadway. The present location of the house on Worth Street, extending from Church Street to West Broadway, was secured in 1861. The Civil War and the panic of 1873 compelled the house to ask their creditors for an extension of time, but no paper with their name went to protest and in 1873 their notes were all paid in three months, sixty days before the end of the extension. At the death of Mr. Claflin, the business of the house, which had sometimes reached $72,000,000 in a single year, exceeded that of any other such house in the world. Mr. Claflin was a strong opponent of slavery, and practised many unostentatious charities.

old shopping centers by following thrifty housekeepers as they came from their rural retreats for an expedition to lower Manhattan. Usually the first stop was made in Canal Street. That wide thoroughfare, once considered our northern boundary, had not been opened farther east than Broadway. It was expected that the city would turn this street into a boulevard, shaded by elms, and stretching from river to river—a dream which will never be realized. The northern boundary of the city has not yet been fixed; it may be Yonkers—named after young Dutch bloods, "Yonge Heerens," who went there to frolic—or it may be farther north, alongside the Hudson. Already Broadway extends as a city street to Yonkers.

For ladies the chief attraction of Canal Street was the dry-goods store of Arnold, Constable & Co., on the northwest corner of Mercer Street, now occupied by Adams Express. The firm had been Arnold & Hearn. James A. Hearn left to establish himself at 425 Broadway, when Mr. Arnold took his daughter's fiancé, Mr. Constable, into partnership. George, the son of James Hearn, has become a benefactor of American artists, and a patron of art museums. James M. Constable agitated for tariff revision, and was often chosen "merchant appraiser" to arbitrate disputes between collectors and importers of dry-goods, while friendly adjustments of differences were feasible.

From Arnold's ladies wended their way to Taylor's saloon on the northwest corner of Broadway and Franklin Street, the Ritz-Carlton of yore. Gaudily decorated, resplendent with mirrors, this hall presented a gay spectacle at noon. Every plush-covered "settee" around every table was adorned by young ladies, who had come to meet their friends and to gossip while sipping ices. The saloon and charming guests have disappeared; the building is a toy emporium.

Those who had not finished shopping on Canal Street were wont to continue their promenade on the "dollar" side, as the west of Broadway was called, until they came to Reade Street. Here they crossed to invade the marble palace of A. T. Stewart. This remarkable man had been a teacher in Bragg's private school at Roosevelt and Pearl Streets. When his mother died in Belfast, he recrossed the ocean to claim £500, his share in her estate. As he had learned, during the intercourse with his female pupils, what styles of Irish lace were popular, and what prices New York ladies had to pay, he made a judicious selection of the best and brought them here in place of sovereigns. He sold them to good advantage; by strict economy, abstinence from debt, and close attention, he became successful. He never gave notes, but was always ready to pay creditors who were willing to allow the rebate Stewart claimed. In 1848, a few years after he had established himself, he was able to build his large store. Careful in the engagement of help, he understood how to secure the most faithful. When examining applicants, he selected once an artless lad because he had observed that, on entering, the youth had picked a pin from the floor. No employee was allowed to carry matches, and he discharged one who gave reluctantly a box to Stewart himself when he asked for it. Stewart's counters had to be cleared after the visit of every shopper; no piece of goods, no shawl was allowed to remain; it had to be put into the creases, dusted, and returned to the shelf from which the salesman had taken it. No store in the city was more spick-and-span.

Some fifty-three Novembers ago, the writer had occasion to buy a trousseau for his bride-elect; he went to Charles C. Merchant, 287 Broadway, whose assortment of silks was the best. During a subsequent depression Stewart managed to buy of Merchant's notes an amount sufficiently large

to force him into bankruptcy, and then engaged him to buy his silks. Stewart was not equally successful when he tried by similar practices to ruin more formidable rivals. Yet his business increased; he became a lavish contributor to charities, especially where his munificence was likely to command attention. The gifts which have served his purposes best, were:

He sent a cargo of food to his starving countrymen in Ireland.

He contributed to the Union cause in 1861.

After the German occupation of 1870, he assisted the needy artisans of Paris.

He helped sufferers by the Chicago fire in 1871.

When he died he left an estate estimated at fifty millions, which became a bone of contention between clamorous heirs.

Indefatigable shoppers, who were not quite satisfied with Stewart's, turned east and trotted up Chatham Square. At that time the finest bonnets were displayed in the windows of lower Division Street,—they had to be inspected and criticized before the ladies proceeded to Lord & Taylor's celebrated store on Catharine Street. Samuel Lord, an Englishman, established this firm early in the nineteenth century. He lived in Newtown village on a handsome estate which he purchased from Theodore Vietor, the genial Pearl Street merchant. This old shopping center has lost its attractions.

Intercommunication within the city was long restricted to stages, which went, some from the Battery, some from Fulton ferry uptown over the slippery "Russ" pavement for which Jean Deghuée and Charles Guidet, his son-in-law, substituted "Belgian" granite blocks. One of the most popular lines, the "Knickerbocker," turned into Bleecker Street, going as far as Greenwich village. The "Bullshead" line rode up the Bowery to Twenty-third Street. The

customary fare, sixpence (6¼c.) was handed to the driver on entering, through his observation hole, whom passengers notified by a pull of his strap when they wanted to leave. Horse-car lines were opened as follows:

1851, from Vesey Street up Sixth Avenue;
1853, from Ann Street up Third Avenue;
1855, from Vesey up Hudson Street and Eighth Avenue.

Stages being more popular, it took time before cars became crowded and straps were needed. Uptown branches were of the "bobtail" variety.

The first elevated road began to run in 1871 from the Battery up Greenwich Street. Its shaky appearance inspired no confidence; few people realized that this system of transportation would annihilate distances and practically create New York. The present means of New York's intercommunication includes:

101	miles	Subway tracks,
213	"	Elevated tracks,
1288	"	Surface trolley tracks.

These are almost exclusively moved by electric power. They carry over one billion passengers a year. Some $250,000,000 has recently been appropriated to extend these lines and build new ones, in full expectation that by increasing population and taxable values they will prove profitable.

When passengers wanted to go to Philadelphia by rail sixty years ago, they left the Battery by the steamer *John Potter* which carried them to Amboy. The road took them on rails across the State of New Jersey to Camden, and hence ferried them over the Delaware River to the foot of Market

Lawrence Whiteman

CLARENCE WHITMAN

Manufacturer and capitalist; born in Annapolis, Nova Scotia, son of John and Rebecca Cutler Whitman. The Whitman family is of English origin, descended from John Whitman of Weymouth, Mass., who came from England about 1625. Clarence Whitman was educated in Cambridge, Mass., and has devoted his entire business life to drygoods interests, first in Boston and afterwards in New York City. He began as an employee of J. C. Howe & Co., of Boston, and was later with the firm of James M. Beebe & Co. He came to New York in 1866 and was for nine years with J. S. & E. Wright & Co., which was later succeeded by the firm of Wright, Bliss & Fabyan. He established the firm of E. C. & C. Whitman in the drygoods commission business, and obtained the selling agency of the Pioneer Mills, which became the pioneer manufacturer of white goods in the United States. The same energy and perseverance which had made success in this line led him to engage in the lace curtain industry. He established the Wilkes-Barre Lace Manufacturing Co., which entered extensively on the manufacture of Nottingham lace curtains. Mr. Whitman was five years president of the Merchants' Association of New York, is director of the Pantasote Leather Co. and Credit Clearing House; and member of the New York Chamber of Commerce.

Street, Philadelphia. It took six hours to complete this journey.

The passage over the New Jersey Railroad was shorter, but once, in 1861, it took us longer. Near Rahway we drove into a snow bank and had to get some army sutlers to shovel so as to release the wheels of the locomotive. We arrived at daybreak in Germantown. Compare the ferry-house of the *John Potter*, with the Pennsylvania Depot on Seventh Avenue and the Congressional Express with the Camden and Amboy train!

The Hudson River Railroad Depot was covered sixty years ago by a wooden shed in Hudson Street, opposite the grocery of Thomas Hope. Hence the train was drawn by teams to Thirtieth Street, where it was made up and hitched to a locomotive. It took longer to reach Albany than it takes the Empire State Express train to get to Buffalo. The new terminal of the New York Central speaks for itself.

Railroads have done wonders for the development of our city. When the neighborhood of the Pennsylvania Depot was monopolized by colored people a brick house and lot sold for $30,000; this property has since been leased for a long term at $30,000 a year. The writer attended forty years ago the golden wedding of his friend, William Bragaw, who related how he negotiated, when married, for a farm. He had the choice of about a hundred acres each, one in the heart of Williamsburg; the second around the Arsenal (now the menagerie in Manhattan); the third in Newtown. He chose the last because his relatives lived there. Their original name, "Broucard," was changed when they came from France.

The value of our real estate depends on the convenience of the location and on the caprices of trade and fashion. The old shopping center at Chatham Square ceased to be

reputable when it was darkened by the structure of the elevated road. The neighborhood became infested with "Peter Funk" auctioneers, bed-house keepers, and other sharpers. They knew how to rope in the passing stranger, and they did not allow one they caught to leave until they had stripped him of his valuables. The good-natured sailors, who had come from their ships through Catharine from South Street, considered this treatment a tribute which every visitor had to pay, and proceeded without murmur to less expensive quarters. Passengers from New England by the Sound boats were more inquisitive. They returned with a policeman to the spot where they had been despoiled, generally to find the place closed. Interested neighbors assured the guardian of peace that the shop had not been open for months, and that the stranger must be mistaken. But when the robberies were repeated, the police closed the fences.

The glory of South Street vanished with the decadence of American shipping. While A. A. Low and Brothers imported tea from China, and exported American products in their fast clippers, more tonnage was covered on the oceans by our Stars and Stripes than by any other flag. Seth Low, the son of A. A. Low, became president of Columbia College and Mayor of the city. He endowed the college with a library. Amongst other China traders were William H. Fogg, Fletcher Westray, and Talbot & Olyphant. Large steamers which dock along the North River from Christopher Street north, and German lines landing in Hoboken, carry now the goods we send across the oceans.

East Fulton Street, Manhattan, and lower Fulton Street, Brooklyn, were the most crowded thoroughfares of the boroughs until Roebling's bridge supplanted the ferries which connected them. Both ferry and bridge are superseded by tunnels; which may yet be replaced by airships.

The largest dry-goods merchants were clustered around Hanover Square, near the financial center, until they moved west of Broadway, between Chambers and Broome Streets. A movement has been started by these firms to go uptown to the east of Union and Madison Squares. Already we find old familiar signs, which we have long seen down town, on Fourth and Madison Avenues.

Real estate formerly used by the dry-goods trade has declined. Tefft, Weller & Co.'s old store, on the east side of Broadway, between Pearl and Worth Streets, on the site of the old Broadway Theater, sold for half a million when they recently failed; it had been appraised at a million. As a tenant, the writer had some experience with fluctuations and elasticity of realty values. When we moved, forty-five years ago, from Maiden Lane to Reade Street, we were induced to pay for lofts we continue to occupy, more than they were worth. As we found that our landlord was not as poor as he looked, we were heartless enough to force reductions of the rent every year, until we arrived at a third of the original price. Now the rent has advanced again.

R. A. & G. Witthaus, importers and makers of small wares, came from Osnabrück, Germany, and had their principal office at 57 Exchange Place. Although their legitimate business was lucrative, they abandoned it to speculate, for some time successfully, in real estate. The elder brother was wont to express his opinion that property in Manhattan was safe enough to buy on the smallest possible margins. When the panic of 1873 made the best mortgages unavailable Witthaus could not raise funds to pay interest and taxes. In despair he laid down to die in his home near Judge Hilton's. The same real estate has risen since far beyond his sanguine expectations.

Some ten years later a strong company, in the organiza-

tion of which the writer took part, began to search and to guarantee titles to real estate. This new departure, coupled with the facility of obtaining loans for customers of the company, has made property, which had been slow of sale, a liquid asset. The example was followed by other companies in other cities. The system would have saved Witthaus and others, if it had been in vogue in their time.

The character of settlers influenced the character of the neighborhood. The Irish once predominated at the "Five Points"; of the rowdy element among them, a gang known as "Dead Rabbits" made the Bowery unsafe whenever they invaded it. Germans congregated on the East Side as far north as Second Street, which was known as "Klein Deutschland." The writer has watched long processions of them go down through the Bowery, Chatham Square, and Nassau Street to their respective workshops, and has seen them return home evenings by the same route. Automobiles were unknown, but pedestrians encountered reckless butcher boys who delivered, in two-wheel gigs, breakfast in the early morning, and at all hours firemen who raced down Chatham Hill; as they preferred sidewalks to the prevailing cobblestones. Educated Germans comprised the best element of our population. Conscientious in the performance of their duties during the day, they knew how to enjoy their nights. They sang in the "Liederkranz," danced in assembly rooms, and drank in "gemüthliche Kneipen," where good beer was available. Besides teaching us harmless pleasures, they spread their taste for art and literature. Amongst their foremost citizens were Carl Schurz, Oswald Ottendorfer, and Charles Hauselt.

Since Germans assimilated, they have ceased to live apart. Since the Irish abandoned manual labor they have become jurists and statesmen. Prominent amongst them were James T. Brady, Chester A. Arthur, Samuel J.

R. Van Sanlwood

ALFRED VAN SANTVOORD

Capitalist and transportation manager; born at Utica, N. Y., in 1819. His childhood associations were with the Erie Canal, and after he arrived at an age when it was necessary for him to choose a career, he found that his natural inclination as well as his ability adapted him especially for the business of inland transportation by canal boats and a little later steamboats on the Hudson River. During the Civil War, he was the owner of a number of vessels, one of which, the *River Queen*, was set apart for the meeting between President Lincoln and Vice-President Alexander H. Stephens of the Southern Confederacy. Several of the vessels employed in the navy were chartered by the government from Mr. Van Santvoord. He became prominently identified with Hudson River navigation after the Civil War, securing practically complete control of the Hudson River Day Line between New York and Albany. His ability and success were so pronounced that he was by common consent given the title of "Commodore." He was director of the Chicago, Milwaukee & St. Paul Railroad, the United Railroads of New Jersey, the Delaware & Hudson, and the Harlem Railroad. He was one of the charter stockholders of the Lincoln National Bank and for many years its vice-president. Mr. Van Santvoord died July 19, 1901.

Sloan, Morgan J. O'Brien. Formerly Italians settled at the "Five Points"; many remain near Paradise Park still. Later arrivals have chosen a district in Harlem, called "Little Italy," extending from One Hundred to One Hundred and Tenth Streets. They are thrifty, frugal, and make good citizens. The lower classes build roads, clean streets, and bore our tunnels. The most intelligent have become manufacturers, merchants, and contractors. This does not refer, however, to some dangerous elements who are shiftless and quarrelsome. Greeks, who raise flowers, and Syrians, who mend carpets, occupy the lower parts of West and Greenwich Streets.

Heine said that his ancestors traded as honestly as they could. Animosity against the race was engendered by prejudice and nursed by jealousy. Of the behavior of our Jews we have no cause to complain. During our war for independence, they lent us money which was never repaid. In our civil war they assisted in fighting our battles. Prominent amongst later arrivals were Jacob H. Schiff, one of our foremost philanthropists; Louis Marshall, the eminent jurist; Dr. Abraham Jacobi, the great physician, and Oscar S. Straus, the diplomat. A majority of the generation who were born here and many of those who came here young are intelligent and worthy. They occupy a first rank in schools and colleges; being shining examples; they are held up as such to more conceited, but less ambitious, Christian boys. But Jews who came when they were expelled from Russian ghettos, after they had passed the best part of their lives in slums, are too old to assimilate. They have spread over the town; almost half a million have settled on the East Side of Manhattan, and in Brownsville. Of the older types, the untrimmed hair, long caftans, and unintelligible language render their presence here uncouth. During the migration of races in the early days

of Christianity, the inferior races adopted the language and habits of the more intelligent. As we will not don Polish costumes or learn their jargon, we expect these Jews in the course of time to adopt our customs. Meanwhile Yiddish will be spoken on the stage of the Bowery Theater where Malibran sang and Vestris danced.

The difference between old-fashioned city dry-goods and modern department stores is striking enough to make the transformation appear difficult. Yet the change was accomplished in a simple way. R. H. Macy opened a haberdashery on Sixth Avenue, near Fourteenth Street, in 1858. A shrewd Yankee, he extended this business to other dry-goods, and he absorbed, one after another, adjoining stores. Amongst the additions to space, one made in 1888 gave the firm more room than they could utilize for dry goods. It occurred to Mr. Isidor Straus, a junior partner, that arrangements for the sale of the crockery of L. Straus and Sons, in which Mr. Straus was likewise interested, might result in advantage to both firms. When the partners of Mr. Straus consented, they were agreeably surprised to find how well their underwear harmonized with toilet sets from Warren Street. The sales of dry goods and china increased simultaneously. The success led to additions of other departments—books and stationery, shoes, hats, wines, and groceries. Macy's example was followed. More than thirty human beehives, called department stores, exist here now, the most successful being within a mile of Greeley Square, the shopping center of Manhattan. Mr. Straus, elected to Congress in 1893, assisted William L. Wilson in framing the tariff which bears his name. He was an able financier and great philanthropist, but he disclaimed credit for the creation of department stores, an achievement which should make his name famous in the annals of commercial history.

To the advantage in furnishing, under one roof, every want of every family, is added the pleasure that women have opportunities of seeing the selections by other women from a great variety of goods. Owners vie with each other to offer the greatest attractions. Some have added butcher's stalls to their grocery departments; all of them keep nurseries for children, give afternoon teas, and show moving pictures. One has been venturesome enough to advertise a sparring exhibition by professional prize fighters, which was well attended by women. A few have arranged banking departments for deposit accounts; they take care of their customers' money, and allow them to draw checks for purchases at their counters.

The pious successor of Mr. Stewart has added a roomy auditorium, where ladies, seated in comfortable pews, may listen to sweet strains of music, while praying for the bargains they desire. The exquisite taste of his window-dressing is the delight of every woman who passes with longing eyes. This art was unknown fifty years ago. At the occurrence of closing sales, bargain hunters tumble over each other to reach the designated counter before their rivals, —generally to find that some other woman has been there already. The mere man who dares on such days to enter and brave the gentle pressure of covered steel corsets is apt to retreat through a maze of petticoats quicker than he came; even on ordinary days, the single man who ventures into these crowds, may get himself into trouble.

This revolution in the retail business has caused the establishment of dealers who cater to wants of department buyers. They are called "catalogue" firms, because they mail lists of the bargains they can offer to the firms they solicit, adding liberal samples. Some cut up the contents of entire cases of dry goods for that purpose. The outgoing and incoming mail of these firms employs hundreds of busy

women. Great as the expense is, the business is successful. By offering what is needed they save time and money to their busy customers.

In 1858, one hundred and eighty jobbing firms established in this city were the regular, almost exclusive, customers of mill agents and of importers. These jobbers sold to retailers and country merchants, who came twice a year to replenish their stocks. The salesman of the jobbing house who was delegated to take charge of the customer, from the time he arrived to the day of his departure, had a program for each day's entertainment prepared: Luncheon at Clark & Brown's, or the Auction Hotel on Water Street; dinner at the old Astor, at Sieghortner's on Hanover Square, or the "Florence" on Walker Street. After a visit to Barnum's, Christie's Minstrels, or Niblo's, a good supper at the Maison Dorée on Union Square finished the round of that day's pleasure. Important customers were invited to the private house of one of the partners.

These jobbers have become superfluous; their profits have ceased to be a burden since importers and mill agents now sell direct.

There remains little difference between importers and domestic commission merchants. Since high duties have restricted imports, many of the former have added domestic to foreign business. By liberal advances and a gradual reduction of commissions, they have taken from New England men, who had a monopoly, some of their best accounts. Mill agents have reduced their charges and the dry-goods commission business has become "commercial" banking. Safe large agencies are handled for one per cent. where three per cent. was considered reasonable. This stimulus has increased business. The annual sales of some of these "bankers" reach thirty millions. Since importers have become interested in domestic goods they have ceased to be

free traders, or tariff reformers; many have turned protectionists.

Barclay & Livingston, 24 Beaver Street, were the successors of Henry & George Barclay. Anthony Barclay, the third brother, was appointed British Consul in 1812. The firm had been for many years agent of Lloyd's, Underwriters. A junior partner, Mr. Mackay, attended to the insurance, and Mr. Schuyler Livingston to the general business of the firm since, in 1824, he became of age and was admitted. Few men have done more to sustain the reputation and uphold the credit of our mercantile community. Schuyler Livingston would give no credit to a man who had once failed. His explanation was that the merchant who permitted himself to become insolvent could no more be trusted than the woman who had lost her virtue. Yet many women and some men have more than redeemed their reputation.

Wilson G. Hunt, a cloth jobber of the old school at 80 William Street, was compelled to suspend when the crisis of 1857 overtook him. He paid to every creditor every cent with interest, and acquired another fortune. But the incident had made him timid. When a subsequent greenback craze alarmed him, he turned his assets into gold and locked the proceeds in a safe deposit company. Henry Clews, his favorite clerk, remained, during the panic, his staunch friend. F. S. Winston, another jobber, made a failure of dry goods at 60 Cedar Street. When he was elected President of the Mutual Life Insurance Company, he became the most efficient manager this company ever had.

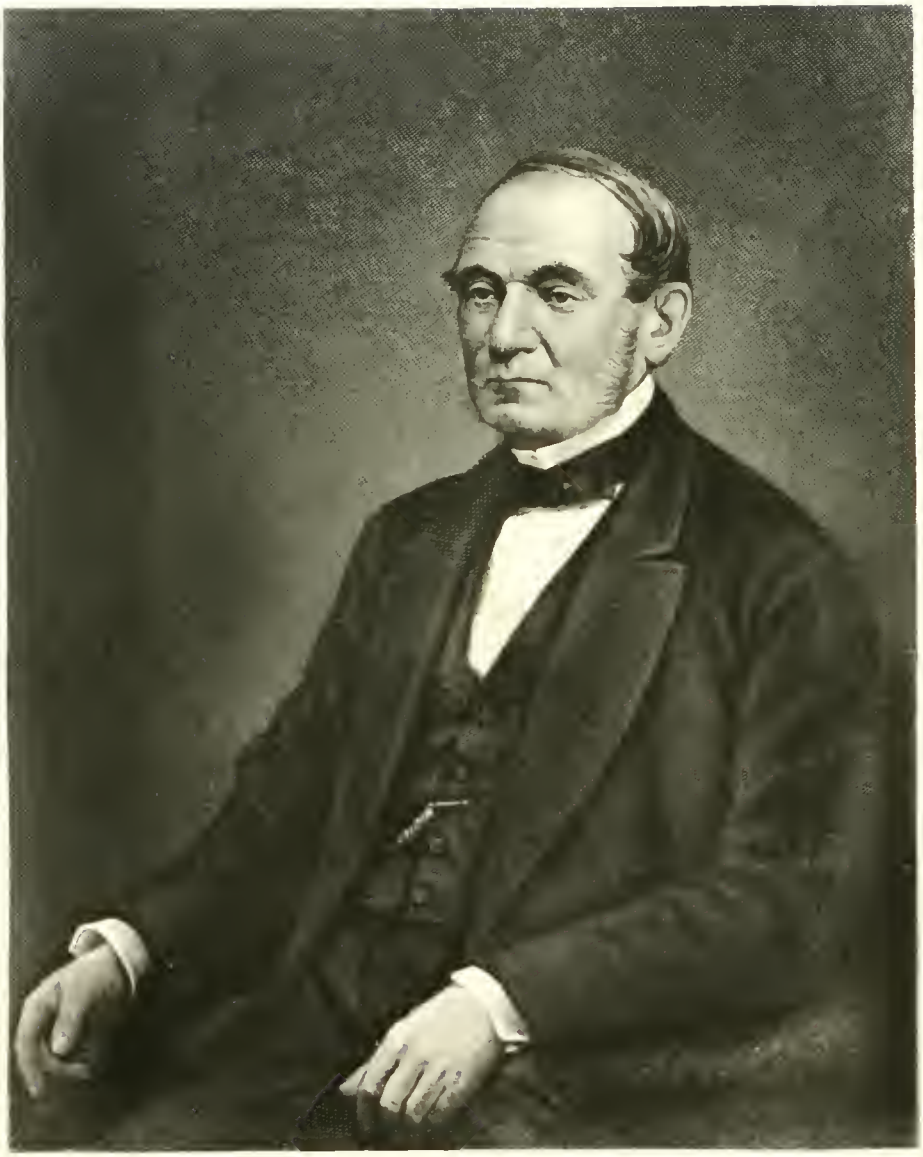
Levi P. Morton came here from Boston, after beginning in a country store in Hanover, and established himself with George B. Grinnell in 1854 as dry-goods jobber at 57 Park Place, under the name of Morton & Grinnell. The firm failed in 1861 and settled at 50 per cent., but in 1863

they were able to pay every creditor in full with interest. Since then Mr. Morton has been senior partner of the successful banking house of Morton, Bliss and Company, Governor of the State of New York, Ambassador to France, Vice-President of the United States, and President of the Morton Trust Company. He lives at Rhinebeck, and his genial face, wearing the familiar smile it wore fifty years ago, continues to be seen at public functions.

Amos R. Eno, 130 Pearl Street, was not alone a shrewd dry-goods dealer, but a successful operator in real estate as well. When he needed money to finish the Fifth Avenue Hotel in 1857 (it was called "Eno's folly," because the site was so far uptown) his bankers rejected as collateral the triangular lot on which the "Flatiron Building" stands and lent Eno the money without security.

When the South attempted to secede in 1860, Southern statesmen predicted that grass would grow in Wall Street, and Southern merchants refused to pay debts they owed to Northern creditors, especially to those who had favored the abolition of slavery. There were decided differences of opinion among our citizens. Southern sympathizers were called "copperheads." The writer knew a prominent merchant and influential deacon who would allow no United States flag over the porch of his Brooklyn church. The church split and failed in consequence. Fernando Wood, Mayor of the city in 1858, and reëlected in 1860, seriously proposed in 1861 that the islands of Manhattan, Long Island, and Staten Island, which now constitute the greater city, combine, secede from the State, and from the United States, and form "the free and independent port of New York," following the examples of Hamburg and other Hanse towns of Germany.

The firm of Bowen & McNamee, dry-goods jobbers, had moved from 112 Broadway to their new marble build-



Wm B Astor

WILLIAM BACKHOUSE ASTOR

Capitalist; born in New York, September 19, 1792; educated in the public schools and in Universities of Heidelberg and Gottingen. On his return to New York at the age of twenty-three, engaged with his father in the China trade under the title of John Jacob Astor & Son. In 1827, the American Fur Co. was formed with William B. Astor as its president. Became chief heir of John Jacob Astor on his death in 1848, and devoted himself thereafter to the management of the Astor properties. He added to the bequest of his father for the Astor Library $250,000, and subsequently presented additional land for the building. Invested largely in real estate below Central Park, between Fourth and Seventh Avenues, which rapidly increased in value. For about thirteen years, prior to 1873, was engaged in erecting buildings on his vacant land and was reputed in 1868 to own more than 700 houses, in addition to investments in railroad, coal, and insurance companies. Died in New York, November 24, 1875.

ing at 320 Broadway, corner of Pearl Street, when the war broke out. They were one of the first to suspend. Bowen devoted his attention to the publication of the *Independent*. His kinsman, Arthur Tappan, was wont to say: "Our goods—not our principles—are for sale." H. B. Claflin & Co., who, under the name of Claflin, Mellen & Co., had begun to import and to manufacture, besides dealing in dry goods, moved at that time from the roomy basement of 111 Broadway to their vast building on Worth Street. The impossibility of collecting from Southern customers forced them to suspend. They compromised for 70 per cent. in notes, giving creditors the option of taking 50 per cent. in cash instead. Within a few years they paid in full with interest, not alone those who had compromised for 70 per cent., but the rest of their creditors, who had released them for 50 per cent. as well. John Claflin, the worthy successor of Horace, follows in his father's footsteps; he has extended the business far beyond the most sanguine expectations of his friends, and occupies amongst merchants a foremost rank.

Some enterprising dealers went South to collect their outstanding accounts personally. The writer knew a Union Democrat who by these means succeeded in getting for his claims Southern produce, which he forwarded to his New York friends for safekeeping. Instead of going home, he then tried to convince everybody who wanted to listen that the South had no right to secede without our consent. He made himself obnoxious so that he finally landed in Libby Prison, where he lingered some time. When he escaped and came back, he found his goods in a Brooklyn warehouse. His Sea Island cotton brought a dollar a pound, his rosin ten dollars a barrel.

The merchants who escaped the risk of fluctuations by selling on commission were seldom troubled. Seth M. Milliken from Maine established himself in New York in

1866 with Mr. William Deering as a commission merchant in domestic, chiefly cotton, fabrics. The firm was successful, not for themselves alone, but for their principals as well. Practically all the mills they represent have become prosperous. Mr. Milliken is one of the trustees of the Bowery Savings Bank, the New York Life Insurance Co., and is connected with other institutions. But he rendered to our community the greatest service during the panic of 1907, when he took charge, as president, of the Mercantile National Bank. It had been well nigh ruined by speculators until Mr. Milliken practically saved it. As soon as the bank was out of danger, Mr. Milliken resigned as president. A strong advocate of our protective system, he served as Republican presidential elector in 1892, and was a personal friend of Speaker Reed, called "the Czar."

Among important domestic houses, Bliss & Fabyan, successors to Wright, Bliss & Fabyan, belong to the most notable. Cornelius N. Bliss, the senior partner, an ardent protectionist, was a leader in the Republican Party, treasurer of their campaign fund, and Secretary of the Interior under William McKinley. His ability is demonstrated by the standing of the institutions which invited him to become a director—Fourth National Bank, Central Trust Co., Home Insurance Co. He was a liberal contributor to charities. Even among his opponents in politics he was popular.

The firm of Faulkner, Page & Co. was established in 1834 by Thomas Tarbell and Charles Faulkner, under the title of Thomas Tarbell & Co. Mr. Tarbell withdrew in 1850, and the new firm, Faulkner, Kimball & Co., was formed, consisting of the same Mr. Faulkner, Day Kimball, and Robert C. Billings. They continued until 1871, when Mr. Kimball died. Faulkner, Page & Co., their successors, included Henry A. Page and Robert S. Kendall. Edward D.

Page, now senior partner, devotes his time to the Merchants' Association and other useful civic bodies.

Kohlsaat Bros. were yarn importers at 48 John Street. The daughters of John C. married well, one becoming the wife of Carl Schefer, successor to Loeschick, Wesendonck & Co. Mr. Otto Wesendonck, predecessor of Kutter, Luckemeyer & Schefer, came to New York in 1835 as representative of Metzger & De Barry, an old firm in Elberfeld. Mr. Wesendonck met Mr. William Loeschick, and formed with him a copartnership under the name of Loeschick & Wesendonck. They established themselves as importers at 40 Broad Street, and became agents for some of the best woolen and silk manufacturers of Europe. Mr. Wesendonck retired from the mercantile direction of the New York house in 1858. It was due to his foresight and financial sagacity that the firm accumulated a fortune. Honorable in their dealings, they left an enviable reputation. Mr. Wesendonck went first to Zürich, where for some time he continued to attend to the European interests of the firm. His wife, Mrs. Mathilde Wesendonck, a charming and intellectual lady, attracted to their handsome villa in Zürich, built by Professor Semper, the literary and artistic celebrities of Europe, including Richard Wagner, who was welcome wherever the Wesendoncks made their home. Mathilde wrote five stanzas for the text of *Tristan*. Hugo Wesendonck, Otto's younger brother, came here in 1849, and founded, with other merchants, the Germania Life Insurance Co., which has been remarkably successful. He had been a member for Düsseldorf of the German Parliament in Frankfort on the Main, and of the "Reichstag" in Berlin; he followed here the liberal tendency which prompted his policy abroad.

When Mr. Emil Oelbermann came in 1859, he entered the firm of Mr. John W. Jung, 6 William Street, to whom he

brought the agency of his father, a cloth manufacturer on the Rhine. Mr. Noel, also from Cologne, followed to form with him a copartnership under the name of Noël & Oelbermann, Christoph Andreae and another house in Rhenish Prussia joining as special partners. This firm became the successor of Mr. Jung. Mr. Oelbermann was trustee of the German Savings Bank and of the Title Guarantee & Trust Co. He founded in 1872 the German-American Insurance Co., remaining president to the time of his death. The remarkable prosperity of this company is largely due to Oelbermann's financial policy. His success must be attributed to his clear perception of the capacity of the clerks and partners with whom he surrounded himself, and to his liberal treatment of those who served him well. It gave him pleasure to consult the graybeards, who were his faithful lieutenants, and whom he treated as friends rather than subordinates. Mrs. Oelbermann, his widow, inherited his fortune. She occupies the finest house in Cologne, and devotes her time, energy, and money, to benefit meritorious Christian charities. Louis F. Dommerich, Mr. Oelbermann's partner, became his able successor.

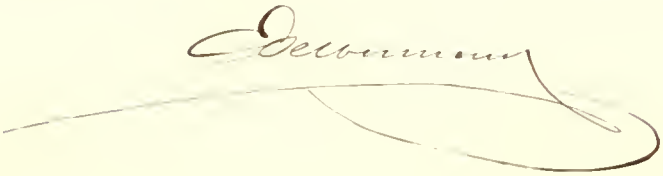
The Irish ladies who sold red apples in City Hall Park also disposed, at a penny apiece, of copies of popular ballads which were strung over their stands and which were sung in the "free and easies" during evening entertainments. Prominent singers were called upon as leaders to oblige the guests who joined the chorus.

Here is a specimen:

JOHN DEAN AND HIS OWN MARY ANN

(Sung after the melody, "Villikin and his Dinah.")

'T is of a rich merchant who in Gotham did dwell
He had a fair daughter who cut a great swell.
Marianna Petronella this fair one was called



EMIL OELBERMANN

Merchant and capitalist; born in Lennep, Germany, August 17, 1835. Came to America in 1859 and entered firm of John W. Jung, bringing to the house the agency of his father, a German cloth manufacturer. Mr. Oelbermann was soon joined by Mr. Noel, from Cologne, and a firm partnership was established under the name of Noel & Oelbermann, which became the successors of John W. Jung. Mr. Oelbermann founded in 1872 the German-American Insurance Co., of which he was president until his death. He was also president of the German Alliance Insurance Co. and director in the German American Bank, the German Savings Bank, the Title Guarantee & Trust Co. Died in Cologne May 1, 1897.

She had a large fortune in rum, Schnaps, and gold;
This daughter was walking in the stable one day,
A-smelling the sweet savor of horses and hay,
Her lover the coachman unto her he said,
"Now let us go right off and get married."

John G. Boker was a liquor importer at 93 Front Street. The house became famous by the bitters which Mr. Ludwig Funke, Jr., prepared. The firm was in John Street when the elopement took place; which gave rise to the above doggerel.

The other prominent wine importers were:

P. Harmony & Nephews,	63½ Broadway,	Sherries
Renauld & François,	23 Beaver St.,	Champagne
Daniel St. Amant,	41 William St.,	Claret
Edward Lamontagne,	58 New St.,	"
M. Lienau & Co.,	2 Jones Lane,	"
Hagemeyer & Brunn,	Beaver St.,	Port Wine

Most of these firms were engaged as merchants in other branches of business as well. St. Amant was a large importer of French prunes, grown and prepared in California, this fruit is exported now. J. W. Brunn took an active interest in the "Isabella Heimath," a fine retreat for indigent old couples on Amsterdam Avenue.

The firm of Frederick Vietor & Achelis consisted of Mr. Thomas Achelis, who came from Bremen in 1837, and formed with Mr. I. Wichelhausen a copartnership, which lasted only until 1839, when Mr. Achelis associated himself with Mr. Frederick Vietor, his brother-in-law. Mr. Frederick Vietor, had in 1829 already come from Hesse. He was first engaged as clerk, then as partner, by Charles Graebe at 36 Exchange Place, whom he left to form the copartnership with Mr. Achelis in 1839. While they were at 9 South

William Street and 61 Stone Street,—the building now occupied by the Reform Club,—they imported German hosiery and woolens, and did a comparatively small business. They lived alternately in Bremen to attend to their European interests. The partner who was here lived at 175 Henry Street, Brooklyn. A trait of the Vietors was energy and briskness, that of the Achelis family was kindness—the perfume of politeness. The firm had moved to Duane Street before the two founders died, when George Frederick Vietor, son of the senior, assumed management. His energy placed this firm in the foremost rank of merchants.

Gustavus Hessenberg came from Frankfort on the Main in 1838. After remaining a short time at 9 Old Slip, he established himself as importer of dry goods at 3 William Street. In 1851 he formed a connection with the old Hamburg house of C. A. Auffmordt & Söhne, under the firm name of Auffmordt, Hessenberg & Co., 119 Broadway, while Auffmordt, Stürmer & Co. conducted the Paris business. The present senior partner, Mr. John F. Degener, a very conservative gentleman, joined the firm in 1861. Mr. Kessler, from Hamburg, a relative of Mr. Auffmordt, was admitted as partner in 1864. He was a polished gentleman, who, by the suavity of his manners and his unremitting vigor, greatly promoted the firm's business. His convivial spirit made him as popular in the fashionable circles of Paris as he was here. The family was knighted by Emperor Maximilian II, and after the Franco-Prussian War, William von Kessler was made a count by the Emperor. He died a few years ago in his prime. His wife, a charming lady, his son, Count Harry Kessler, and his daughter, the Marquise de Brion, survive him.

The house of Iselin originated by the establishment of Messrs. Moran & Iselin from Bâle, in 1840, at 123 Pearl Street, as importers and merchants. In 1847 they moved

to 47 Broad Street. Among their European correspondents were large holders of Erie Railroad securities. When this road failed in 1857, Moran was first made receiver and afterwards president. Adrian Iselin continued the importing business until he was succeeded by his junior partners. He continued as a special partner, however, while the firm name changed successively to Cottenet & Barbey, Henry Barbey & Co., Richard, Iselin & Co., and Iselin, Neeser & Co. In 1890 the present firm of William Iselin & Co., consisting of William E. Iselin, Alfred Vondermuhl, and James W. Cromwell, was established. More recently, Mr. Cromwell's son Lincoln, and Mr. Iselin's son Arthur, became partners. They rank amongst our foremost importers. Adrian Iselin, Sr., has died, but the banking business he established is continued by his sons, Adrian Iselin, Jr., and Columbus O. Iselin, together with two younger partners. The family settled early in New Rochelle, and has largely contributed to the welfare of that charming suburb. The robust health for which the Iselin family is noted is due to pedestrian exercise and to their aversion to topcoats.

Charles Stewart Smith, born in Exeter, New Hampshire, March 2, 1832, became here a successful dry-goods merchant, first as partner of S. B. Chittenden & Co., and later as manager of A. & A. Lawrence & Co., 43 Broadway, who were succeeded by Smith, Hogg & Gardner. He retired in 1887. Mr. Smith was President of the New York Chamber of Commerce seven years, and one of the most popular officers the association ever had. He was prominent as director in financial institutions,—such as the United States Trust Co., the Fifth Avenue, and Merchant's Banks, and as member of the Rapid Transit Commission. He procured for the city the equestrian statue of General Sherman, by St. Gaudens, which adorns the entrance to Central Park at

Fifty-ninth Street. He was a regent of The New York University, of Barnard College, and a liberal contributor to the Metropolitan Museum of Art. He died on November 30, 1909. His widow, Anna Walton Brown, and his son, Howard Caswell Smith, survive him. His country house was in Stamford; his city home 25 West Forty-Seventh Street. Besides a large fortune, he left one of the best private galleries in the city.

Large importers, like Benkard & Hutton, and a few domestic commission houses, formerly sold the balance of their stock at the end of every season at public auction. Some sales lasted several days and longer; some realized as much as a million. The largest auctioneers were Chesterman & Hoguet, 13 William Street. Chesterman's family came from Sheffield. He was a good judge of brandy, and died rich. William H. Hoguet was a French Irish gentleman from Dublin, who had been in the fur trade. Mr. Hoguet became associated with the Wilmerdings; when he left them, he was elected President of the Emigrant Industrial Savings Bank, remaining in that office to the time of his death. This bank became under his management more prosperous than ever.

Christian William Wilmerding, ancestor of the auctioneers, came from Brunswick in 1783, and first went into the glass business. He was much devoted to the German Society which assists German immigrants, became president in 1816, and was reëlected for three consecutive years. His sons, William R. and Henry A. Wilmerding, were distinguished by the skill with which they managed the auction business. Lucius K., a grandson, still continues it, but the business diminished.

John Haggerty was another old-time auctioneer. The firm first was Haggerty & Austin, 169 Pearl Street. When General Spicer, who had been Haggerty's salesman, failed in 1862, a sensational newspaper reported the failure of

Rabato

HENRY WILLIAM EATON

Insurance manager; born in London, England; educated in private schools. Entered service of Liverpool and London and Globe Insurance Co. in 1866, representing it at Bristol, 1876–1878; came to New York City in 1878 as assistant manager of New York branch; made resident manager, 1887; associate member of Institute of Actuaries of England; president National Board of Fire Underwriters of United States, 1897–1898. Author *Fifty Years of Work in the United States of America* (history of Liverpool and London and Globe Fire Insurance Co. in the United States); also many papers on fire insurance topics.

Haggerty. Haggerty sued for libel, obtained a verdict, and in revenge the paper called him "O'Haggerty, the Irish vender," which added to his popularity without injury to his credit. Auctioneers could do no business without influence sufficient to obtain a license and money enough to give bonds. They also required means to discount sales. Consignors expected advances almost as soon as the auctioneer agreed to a sale. The terms of the sale were six to eight months notes. Credits were given with more liberality than they now are.

Even the Collector of Customs had official authority to accept notes instead of cash from honorable merchants for import duties. In those days impecunious creditors could be deprived of their liberty when they did not satisfy a judgment. But the reputable were permitted to attend to the daily routine of their business, within certain streets, on condition that they reported in the evening at the door of the Debtor's Jail. To distinguish these merchants from others who were free from debt and could go where they pleased, delinquents were "on the limits." Auctioneers were expected to discount sales at 7 per cent. per annum within ten days. They consigned the notes to Orlando M. Bogart, the broker, at 39 Wall Street. He could not always sell at the legal rate, which was then seven; some went at eight or nine per cent., others did not sell at all. The auctioneers generally lost part of their commission by interest.

Other dry-goods auctioneers were, Van Wyck, Kobbe & Townsend, and Rudderow, Jones & Co., who sold woolens. After a successful day's sale, consignors and buyers were invited to dine at Delmonico's in South William Street, where they remained drinking champagne and discussing dry-goods to the small hours in the morning. The auctioneers of merchandise other than dry goods were:

Marble and mahogany,	Pells & Co.,	Neighbors of each other on Hanover Square.
Fruit,	Minturn & Partridge,	
Tea, and other groceries,	L. M. Hoffman & Co.,	
Sugar and molasses,	Greenough, Burdett & Co.,	109 Wall Street,
Admiralty Sales,	Simeon Draper,	54 William Street.

Draper was a jolly good fellow, who sold the prizes we captured from the Confederates in the Brooklyn Navy Yard; later he was appointed Collector of the Port.

Of immigrants who came in the early part of the nineteenth century, the sturdy North Germans, from Mecklenburg, became our best citizens. Their language, an idiom Fritz Reuter has perpetuated by his *Olle Camellen*, readily assimilated American English. These boys hardly realized that any difference existed between their mother tongue and our own. They adapted themselves to many other American ways. A great many became grocers; of some 5000 who followed this vocation in Manhattan in 1852–3, more than half were Bismarck's countrymen. Beginning as clerks sleeping under the counter, they devoted themselves assiduously to the details of the business, so that many were soon able to establish themselves on their own account. Their advantage over American grocers—like Acker & Merrall on Chambers Street, Abram Binninger & Co., 26 Liberty Street, William S. Corwin, 639 Broadway, John Duncan, 407 Broadway, and the "Albros" on the Bowery—consisted of the privilege of selling liquor at retail, free of license, an advantage disdained by Americans, who catered more to the family trade. But our ladies could not always find it convenient to go to them and left their daily orders at the neighboring corner grocery. They were careful not to approach the

partition which divided the store from the rear bar, so as to escape odors of rum and tobacco which emanated thence. In former years the writer had business relations with some of these grocers, and he remembers an occasion when he was obliged personally to present a draft. Following the established custom, he first invited the drawee to a social drink. While he was absorbed in a mint julep, the proprietor slipped out of the side door, leaving the bartender to explain his unceremonious disappearance. On a subsequent occasion we were careful to explain the object of our visit before the drinks were mixed.

The consumption of groceries is now infinitely larger, yet the number of that class of stores has diminished. Some of the business is absorbed by department stores, or by the better class of grocers. Innumerable "delicatessen" dealers have attracted some trade, but the odors of Limburger cheese and Mainzer sauerkraut which greet us when we enter are repulsive to delicate noses.

New York has always been the chief American market for sugar. A great part of the eighty pounds per capita of the population which we use passes through the hands of our merchants. One of the largest importers was Moses Taylor who began his mercantile career in Howland's office; with Marshall O. Roberts he assisted Cyrus W. Field in laying the first Atlantic cable, and became President of the City Bank. The house of Goodhue & Co. was established in the first decade of the nineteenth century by Jonathan Goodhue from Salem, at 64 South Street, together with Pelatiah Perit. The firm of Howland & Aspinwall was established by C. G. & S. Howland. When William H. Aspinwall entered the house, it took an interest in the Panama Railroad and the Pacific Mail Steamship Co. The city of Aspinwall was named by them. Fish & Grinnell were the predecessors of Grinnell, Minturn & Co.

Moses H. Grinnell became Collector of the Port. Alexander Maitland, a kinsman of Robert Lenox, who founded the Presbyterian Hospital and the Lenox Library, Zerega & Co., and Munoz & Esperiella were sugar importers.

L. E. Amsinck, Charles Lüling and other German bankers were sugar importers.

To secure consignments, almost all of them made advances to planters before their crops were gathered. When they were small and when sugar was dearer in Habana than it was in New York many planters sold it there. They did not forget that they had sold it already, but simply let New Yorkers wait, trusting to be able at some future harvest time to redeem their pledges. A large proportion of sugar is consumed in the natural state. Of refiners R. L. & A. Stuart have long been the most important. They came from Scotland, and built the sugar house which covered the block between Chambers and Reade on Greenwich Street. They made excellent candy. Whoever had business with the firm was presented with a stick of it by Mrs. Stuart herself. She lived, when she retired, in a corner house on upper Fifth Avenue, and left an endowment to Princeton University. A majority of our refiners hailed from Northern Germany; they had already learned how to boil sugar in Hamburg or England before coming. The Havemeyers came from Bückeburg in 1799, and began business under the firm name of Fred & Wm. Havemeyer, at 66 Vandam Street. Henry O. Havemeyer created the Sugar Trust; his father was thrice Mayor. Some people found him arrogant, but he delivered our city from the disgraceful bondage of William M. Tweed.

Here are the names of other German-American sugar refiners: Peter & William Moller, Mathiesen & Wiechers, De Castro & Donner, Henry Kattenhorn, Claus Doscher, Henry Offermann, Carsten Sierk, and Dick & Meyer.

Cord Meyer created Elmhurst and Forest Hill, charming Long Island suburbs. Henry T. Ockershausen was a noted fireman. All of them made money. Sugar merchants were not alone in a liberal treatment of desirable correspondents. When Soulouque, the Emperor of Hayti, found himself financially embarrassed, he called on Rölker & Möllman, his agents at 96 Pearl Street. They responded by a large shipment of Mexican dollars, which was reciprocated on the part of the Emperor by continuous consignments of 10 per cent. of the crops of the coffee and cocoa paid by his colored subjects in lieu of taxes. Rölker's firm made handsome commissions, but they had to mend the Emperor's uniform free of charge when it needed repairs.

The wholesale grocery business was formerly in the hands of a few large houses, one being Sturges, Bennett & Co., 123 Front Street. Jonathan Sturges had first been associated with Reed under the firm name of Reed & Sturges. Sturges was director in several railroads and banks. He became one of the founders of the Union League Club, on Union Square North, and took a deep interest in the promotion of American art. After the dissolution of Sturges, Bennett & Co., Benjamin G. Arnold, our best known coffee dealer, became his son's partner, under the firm name of Arnold, Sturges & Co. He was daring enough to engineer with Bowie Dash, in 1875, the purchase of several hundred thousand bags of Java coffee, intending to corner the market. Being the only holder, he did command as much as 20 cents per pound for lots which were urgently needed. It looked as if the speculators would make money, until, in 1877, a competitor had the audacity to order 10,000 bags by steamer from London. Coffee declined faster than it had risen. The experiment is being repeated by the Brazilian Government, under the able management of Mr. Hermann Sielken,

on a larger scale; whether it will be more successful remains to be seen.

Another grocery firm in Front Street was E. D. Morgan & Co. Mr. Morgan was U. S. Senator. When our civil war began, he was Governor of the State; after the first battle of Bull Run, he sent 25,000 New York soldiers to the front. He lived at 35 Lafayette Place. John T. Terry, his genial surviving partner, enjoys life at ninety. Thurber's firm was the first one to launch a large grocery business on the West Side. It originated in the friendly relations between John F. Pupke, a successful retail grocer on Greenwich, corner Rector Street, and H. K. Thurber, which led to a copartnership. Pupke withdrew when he found the business too risky, and F. B. Thurber, H. K.'s brother, joined. The firm changed to Thurber, Whyland & Co., then to the "American Grocery Co.," and finally it failed. Mr. Thurber borrowed $50,000 to establish the American Opera Company. In 1885 Theodore Thomas was director; the first performance took place at the Academy of Music in Fourteenth Street, in January, 1886. It was a great artistic success, but a miserable financial failure. The company was finally wrecked in Buffalo on the way home from the Pacific Coast. Mr. Thurber's ambitious wife gave musical *soirées* to distinguished strangers, under the direction of a *maître de plaisir*, until an Italian nobleman discovered in the *maestro* a waiter who had served him in Milan. F. B. Thurber studied law in Columbia College and was admitted to the bar at the age of sixty.

The firms on lower Hudson Street who do business where Thurber began, sell more on closer margins than their distinguished predecessors on Front Street. They buy for cash from New York resident agents of producers of the goods. These agents, who receive daily cable offers from every port of the globe, canvass the whole trade. Their

J. J. Hill

JOHN J. GUILE

Insurance manager; was born in Liverpool, England, May 5, 1854. In 1872, began insurance business with the Royal Insurance Co. of Liverpool, leaving there after ten years to become associated with the Sun Insurance Office of London. In May, 1885, he was appointed secretary of the United States branch of the Sun Insurance Office; became assistant-manager in May, 1886, and manager in December, 1886, a position which he has since held, with offices in New York.

commission is smaller—in many cases one per cent.—than the speculative profits which merchants formerly made. Corners have become difficult by this change.

Richard Alsop from Long Island founded the firms of Alsop & Company, Alsop & Chauncey, and Alsop, Wetmore & Cryder of Valparaiso. A large part of the business with Chile and Peru later fell into the hands of W. R. Grace, the genial Irishman who was twice Mayor of the city. Nathaniel L. & George Griswold, 72 South Street, lived in Newport, and did business with the West Indies.

When Royal Phelps, of 47 Exchange Place, another old-time merchant, left his young Creole wife for the first time on a trip to Paris, she sent him, through George Stoker, before the cable was in working order, via Cape Race, a message: "Remember you are married." He promptly answered: "Too late"; but to atone he brought her a fine India shawl when he returned. Mrs. Phelps was pleased; she ceased to torment him with reminders, but expected a finer present on his return after every subsequent absence.

The firm of C. G. Gunther & Sons was established by Charles Godfrey Gunther in conjunction with his father, a native of Germany, and several brothers, at 46 Maiden Lane, near William Street. A picture of their store was published in *Valentine's Manual* for 1865. They became the largest retail furriers and acquired the reputation of being the most reliable, which they have maintained for a century. Gunther took an active part in politics; he was President of the Almshouse, a sachem of Tammany Hall, and became Mayor in 1864. His administration was distinguished by rigid economy.

Diagonally opposite Gunthers' on Maiden Lane, the firm of Strassburger & Pfeiffer imported toys and china. George Borgfeldt, their chief clerk, who came from Schleswig-Holstein, found it difficult to provide, for Christmas, the

Carnival, and other holidays, the variety of goods which his customers wanted. When Pfeiffer went to live in Paris, Borgfeldt became manager, and he persuaded the customers to assume the risk of ordering the goods they would probably want for their own account. Instead of the large profits they had to pay to his predecessors, Borgfeldt charged a moderate import commission. His firm was no longer obliged to keep a stock of capricious merchandise, and his customers bought and sold at lower prices. By the adoption of this policy, the business assumed large dimensions. Borgfeldt was a jolly good fellow, who could swear like a trooper and drink like a fish—as well as Thomas Garner, the cheery Englishman who was as successful in cotton prints as Borgfeldt was in toys, neither being able to attend to business until they had taken, at Clark & Brown's, their daily "eye opener." Borgfeldt's young widow, Alice Lahey, married an Austrian nobleman in Vienna. The firm continues to exist.

Cooper & Hewitt, 17 Burling Slip, were not only large manufacturers of iron, but public spirited citizens as well. Peter Cooper founded in 1857 the "Cooper Union for the Advancement of Science and Art." He was assisted by Edward Cooper, his son; Abram S. Hewitt, his son-in-law; Wilson G. Hunt, Daniel F. Tieman, the ex-Mayor, and John E. Parsons, the lawyer. In addition to free schools of science and art, it bestows prizes for useful inventions, contains a library, and has been of great benefit for the education of the children of the poor and middle classes. Mr. Hewitt was a man of remarkable ability who took a quick advantage of every opportunity. When the Steel Trust was founded, he was elected honorary director.

The American Institute, organized in Tammany Hall, on Nassau, corner of Spruce Street, in 1828, has greatly assisted the promotion of American industry. The earliest

exhibitions were held in Masonic Hall, on Broadway near Anthony Street, subsequently in Niblo's. When the end of the World's Fair of 1853 left the Crystal Palace unoccupied, the Institute held exhibitions there until the "glass house," a pride of the city, was destroyed by fire in October, 1858. It was a sad blow, not alone for patrons of the American Institute, but also for the owners of objects of art which had remained since the opening of the World's Fair and were destroyed. It always has been a practice of the Institute to reward deserving inventors; among them were: Joseph Francis,—lifeboat, 1839 (gold medal); sewing machines—of Elias Howe, 1846; Wilson, 1850; Singer, 1851 (gold medal); Wheeler, 1853. Richard M. Hoe received a medal for his printing press in 1848. Models of vessels exhibited by Cornelius Vanderbilt and C. R. Poillon received prizes; the yacht *America*, was distinguished by a gold medal. Other useful inventions, shown first by the American Institute, were: Dr. Nott's anthracite coal-burning-stove, Morse's telegraph, McCormick's famous reaper, which received a gold medal in Castle Garden, in 1849. Bell's telephone, which annihilated distances and rendered human locomotion an unnecessary luxury, was exhibited here in 1877 first.

In 1860 Philip Reis had invented a telephone which he used as a toy for singing favorite melodies to distant friends. His efforts to introduce it failed. It was not until Alexander Graham Bell perfected the instrument and brought it to the attention of Heinrich Stephan, the intelligent Postmaster-General of Germany, that it was practically employed to converse at distances over electric wires with ease. Here the first company was organized August 31, 1877, under the name of "The Telephone Co. of New York." This association published its first annual report October 23, 1878, when its directory contained the names of 442 paying subscribers. On October 1, 1911, the

successor of that same company published in its monthly New York directory the names of 186,000 subscribers; they used 428,000 instruments, 330,000 of which were in Manhattan alone. By facilitating conversational intercourse, the telephone has largely contributed to our growth. Formerly we were identified with our habitation; now we are known by the number of our telephone.

We need knock no longer at distant doors, but call simply over the electric wire until our familiar voice is recognized. A frequent use of the Bell instrument improves the enunciation of words.

The Steinways came from Brunswick in 1849, after the German "Zollverein" excluded pianos, which Henry Engelhardt Steinweg, the father, had been making in Seesen. They began here as journeymen, and made their first American instruments in a rear tenement on Varick Street. But they were not actually established until they rented a three-story brick dwelling, 88 Walker Street, in 1853. Here they made a world-wide reputation by the excellent quality and sweet tones of their instruments. Their financial success was due to the energy of William Steinway. His tact and public spirit elevated their reputation; In 1890 he became Rapid Transit Commissioner and built many houses for the use of his workmen on Long Island, in a village which still bears his name. Robert G. Ingersoll kept a supply of greenbacks in a drawer, to which every member of his family had free access; they were welcome to take what they needed. Steinway may have been less generous to his family, but he was more liberal to suffering strangers. The writer never called on him for assistance to a worthy charity when he did not respond.

Roosevelt & Sons were hardware dealers. They added looking-glasses to their business when they moved into the new iron warehouse at 94 Maiden Lane. Theodore, one of

the sons, lived on Broadway, and became father of "Teddy," since Lincoln's time the most popular President of the United States. The father found it more difficult to satisfy the capricious demand for different sizes of glass than the son to please political opponents. Benjamin W. Merriam, of 130 Chatham Street, the largest retailer, walked into Roosevelt's one day, and asked for a size of glass they were out of. So Merriam was compelled reluctantly to call on Bendit, who kept his store in Gold Street at the opposite corner of Maiden Lane. Bendit had watched him cross and declined to sell because Merriam had not come to him in the first place. When neither begging nor the offer of a premium had effect, and when Merriam was ready to cry, Bendit relented and offered the goods at the regular price if Merriam would dance an Irish jig. The venerable gentleman took off his coat, and danced to the tune of Bendit's whistle. One member of Roosevelt's family was an alderman and another endowed the hospital which bears his name.

There were many important metal houses in the vicinity of Maiden Lane. Marshal Lefferts dealt in iron at 90 Beekman Street. He constructed telegraph lines between New York and Boston, and New York and Buffalo, in 1849. His lines were consolidated with the Morse lines and finally in 1866 with the Western Union Telegraph Company. He was connected with the Seventh Regiment, the first to leave in 1861 for the seat of war, and has been its colonel with the title of General.

The Astor dynasty was founded in 1784, when John Jacob Astor came from a suburb of Heidelberg and secured a position as clerk, at a weekly salary of two dollars, with Robert Bowne, a skin dealer in Gold Street. When Bowne died, Astor succeeded to his business some two years later and became a successful merchant. He was able in 1787

to join the German Society, which assisted then, as it does now, impecunious German immigrants. Foresight in the selection of real estate which Mr. Astor purchased made him and his children wealthy. His friend, Washington Irving, inspired him to found the Astor Library on Lafayette Street opposite his home. None of our rich men have done more for us.

The firm of Phelps, Dodge & Co., dealers in metals, was established when Anson G. Phelps, a full-fledged tinker, came from Connecticut in 1818, and became a partner of Elisha Peck; the firm of Phelps & Peck was soon dissolved and Thomas Stokes, a tailor from William Street, entered the firm. He was the father of Anson Phelps Stokes. When William E. Dodge married Melissa, a daughter of Mr. Phelps, he became a partner, and the firm became Phelps, Dodge & Co. in 1833. Mr. Dodge was one of the first directors of the Mutual Life Insurance Company, and of the Central Railroad of New Jersey. He and his children have given large sums of money to charity.

The firm of Boorman, Johnston & Company, 119 Greenwich Street, who were closely allied with the Central Railroad of New Jersey, became embarrassed by the failure of that road, and by the decline of iron in 1876. John Taylor Johnston had one of the finest collections of oil paintings in the country, including some Turners and several Meissoniers, which he was compelled to sacrifice at auction. This was the first important art sale ever held here. A daughter of Mr. Johnston married Pierre Mali, the Belgian Consul. The senior partner of Mali's house has been Consul for Belgium ever since in 1830 the country became independent; the firm has been agent for the same Belgian cloth manufacturer since 1825.

When the process of making Bessemer steel required it, Naylor & Co., corner Cliff and John Streets, were the first

Wm Astor

WILLIAM ASTOR

Capitalist; born in New York City, June 12, 1829, in the old Astor Mansion on Lafayette Place, adjoining the Astor Library; son of William B. and Margaret Rebecca (Armstrong) Astor, and grandson of John Jacob Astor; graduated from Columbia College, 1849. After graduation, went on a long tour in Europe, Egypt, and the Orient. As a result of this visit, he retained, throughout his life, an active interest in Oriental art and literature. He entered his father's office as assistant manager of the family's estate and after the death of his father, in 1875, when half of the estate became his own by inheritance, greatly added to his holdings. Mr. Astor was fond of country life, and created an extensive and beautiful estate at Ferncliff. He built a railroad from St. Augustine to Palatka, in Florida, in 1875, and constructed several blocks in Jacksonville. He was a yachtsman of distinction, his first yacht, the *Ambassadress*, being probably the largest and finest sailing yacht ever launched. In 1884, he had built for him the steam yacht *Nourmahal*, which was one of the finest of its day. Died in Paris, April 25, 1892.

to import "Spiegel Eisen." Theodore Dreier from Brooklyn was the active partner. His charming daughters have earned by their public spirit a national reputation. Hendricks & Bro., 77 Broad Street, called the "copper kings," dealt in the pig metal when it came chiefly from the Calumet & Hecla and other Minnesota mines. When duties on metals became desirable for protection of mine owners and necessary for revenue, several houses began to have their lead and smelter cast abroad into figures of Greek gods and Christian Madonnas, which under the designation of fine arts were admitted free of duty. An astute predecessor of Collector Loeb became suspicious when he found no increase in the stock here of plastic art, but learned that pig lead was sold below cost, when to Sparish quotations the legitimate duty was added. He did not hesitate to seize all the "gods," and "goddesses," including the immaculate virgins, he could find.

Amongst cotton exporters, the firm of Faber & Bierwirth, 34 New Street, succeeded by Bierwirth & Rochell, had an excellent reputation. While Bierwirth, according to his custom, was playing whist on a Sunday evening in 1857 with some friends at his Brooklyn residence, he was called out by a clerk, who had come to bring the startling news that Stolterfoht, Bierwirth's Liverpool agent, had failed. Bierwirth returned to his cards, finished the game, and parted with his companions as if nothing had happened. When he came to his office on the following day he made an assignment, but he paid every dollar he owed. Rochell became President of the German-American Bank.

Charles C. Taber had his office at 76 Wall Street, while he packed cotton in his warehouse on New Street. He lived on the Bloomingdale Road, and drove with a span of horses down every day with such regularity that neighbors set their watches by the time of his arrival. Inman, Swan

& Co., 62 Wall Street, were large cotton dealers. The senior, an able Southern merchant, was President of the Richmond Terminal Co. John H. Brower & Co., 45 South Street, owners of the Texas Line, brought cotton from Galveston here in their own ships. One of them, the *Harvey Birch*, was the first ship destroyed by the Confederates.

While the smuggler's ways are dark, his tricks have incidentally been legitimate. The writer learned of an instance where the government has unwittingly assisted smugglers to defraud itself. Through the ignorance of a Congressman, the value of Bremen rix-thalers was in a former tariff bill erroneously fixed at seventy, instead of eighty cents. This was not discovered until the bill had been engrossed, and signed by the President. It was corrected in printed copies, but was law nevertheless. One shrewd importer who discovered the error had his invoices made in Bremen rix-thaler valuations by his Bremen bankers, and paid 10 per cent. duty less than his neighbors, in consequence. The mistake could not be legally corrected before the next session of Congress, nor until after these shrewd importers had taken great advantage.

The increase of our population, crowded into narrow streets, compelled the poor to live in close quarters; rich families alone could afford the luxury of living in a house by themselves. Many old tenement houses were provided neither with ventilation nor sanitary appliances. Those built over entire lots, without airshafts between the front and rear houses, were called "double-deckers." When the Board of Health protested, better buildings were erected. Those which are furnished with modern improvements and elevators are styled "apartment houses"; a number of the best of recent construction are fireproof. Here is a list of our fireproof buildings:

Stories in height	Manhattan	Bronx	Brooklyn	Queens	Richmond	Total
1–5	989	184	487	95	48	1803
6–10	1203	13	91	5	2	1314
11–15	617		9			626
16–20	65					65
21–25	24					24
Over 25	10					10
Total	2908	197	587	100	50	3842

We have more than any other city, and they form, according to the opinion of expert underwriters, an effective barrier against the spread of conflagrations.

Few people realize that Holland dwellings with gable roofs still exist, and that some, especially on the borders of Greenwich Village, are used for business. Strong enough for the purpose intended, they required support when they were transformed into warehouses for heavy packages and safes. Dutch architecture was replaced by broader and higher structures; the beams were held by wooden posts, the taller being safeguarded by cast-iron fronts. When the value of real estate in the financial district increased, nine-story houses with iron columns with foundations of cement were constructed. Granite and iron began to be used; imported cement strengthened the walls; houses grew taller when science discovered better methods for their safety.

Thus came the age of steel construction, which replaced cast-iron beam holders. By saving space and weight, money was saved, but the disadvantage of not being fireproof remained an obstacle. To remedy this fault, the steel was protected by fireproof material,—the arches by concave blocks of burned terra cotta, lessening the weight of arched ceilings and offering greater resistance to heat.

Experience has taught that the underside of beams, stretched between arches, must be protected against fire. When invention could go no further, help was found by returning to frame walls, fitted with arches. As buildings grew higher, a change was made by adopting closely riveted framework. Every part could be protected with fireproof material and the height could be increased to forty stories. The outer walls of each story rested on steel beams, of even strength in the upper and lower stories. If necessary, the building could be erected from the roof down instead of from the bottom up. The foundations were no longer built of massive walls, but with steel beams placed across. Where the height of the building permitted, the steel foundation was bored ingeniously through solid rock, from forty to one hundred feet below the street level.

The progress in building improved the elevator system, not to mention pipes that had to be provided to hold the machines which force the pressure of water to the apex of the tall buildings. Even the timid, who feared for the safety of these airy structures, had to acknowledge the elasticity with which they withstood the shock of the San Francisco earthquake; it demonstrated the stability of the tallest.

The necessity for fireproof safety, which should combine light weight with great resisting power, caused the innovation of a mixture of sediment with ashes of sea coal, and, when it grew cheaper, with Portland cement. This material protected not alone steel, but was also adapted for the restoration of floorwork between the pillars: it was finally discovered to be useful for the walls without and the steel beams within. The great Baltimore fire demonstrated that the quality of this material was superior to "hollow terra cotta." It proved to be the only material that withstood the glow of the fiery element and the force of

water power. Likewise it was found that the concrete and steel harmonized, not alone as a protection against fire, but also against humidity; we came thus to learn the latest and best method, the "reinforced concrete construction." It follows that a scientific combination of steel and concrete, the former filling demands against draughts, the latter against the pressure of weight, led to the most economical, and the safest construction.

When the under fibers of heated rafters were torn, while the upper were bruised, it became evident that construction of concrete, underlined with steel, was less expensive and most practicable. Used for factories of moderate height, it creates a most economic protection against fire, while it has strength to resist the greatest pressure of weight.

The possibilities of building achievement seem to have been reached, yet the future may bring further discoveries. Extreme values of the ground in our financial district have induced owners to seek an offset in extreme height. The space on which No. 1 Wall Street was erected, and where lawyer Benjamin D. Silliman, Yale's benefactor, once lived, brought recently $600 a square foot.

The Woolworth Building, fronting on Broadway, and extending from Barclay Street to Park Place, is the greatest of all commercial structures. The main building has thirty stories and the tower twenty-five additional, and is 750 feet above the street level. The weight of 150,000 tons, supported by sixty columns, pneumatically constructed, rests upon solid rock one hundred and fifteen feet below the street. Made of reinforced concrete, and of cylinder form, it is a marvel of modern construction. The main building is provided with twenty-four passenger elevators, and will accommodate 25,000 busy people during busy hours.

When we look from John Street corner of Broadway to

the northwest, we see in a glance creditable specimens of the architecture of three centuries:

1. St. Paul's chapel finished in 1766. The old churchyard fronting Broadway, covers the remains of General Montgomery and of Thomas Addis Emmett.

2. The Astor Hotel opened in 1842: the front portico which lent to the façade its greatest charm has been removed. State dinners now held at the "Waldorf" were formerly given at the Astor.

In the Rotunda Aleck Mick, as Stewart was called, took with his cronies luncheon including that apple-pie which became famous.

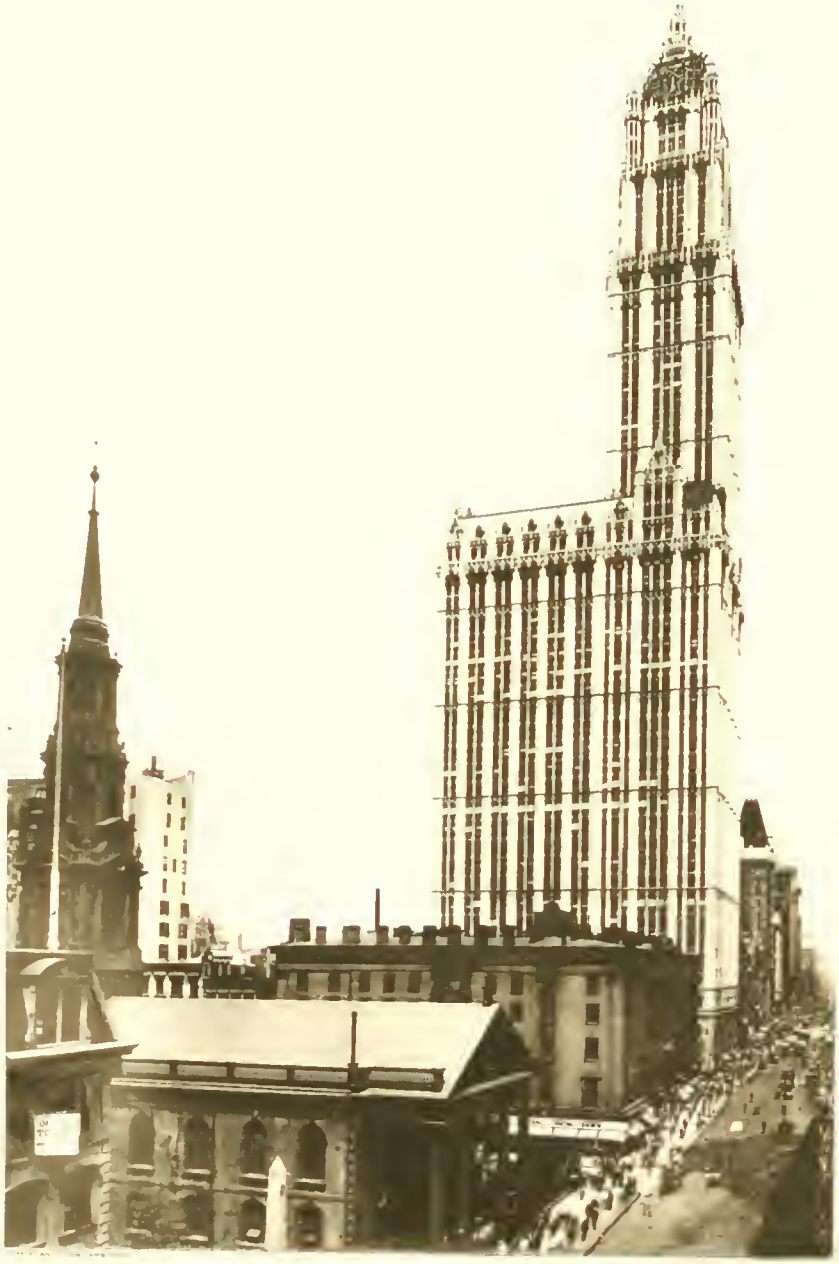
3. The Woolworth, the finest of all modern structures on Barclay Street, Broadway and Park Place, forms the background.

We went through Barclay Street formerly over the Hoboken ferry, to the Elysian Fields and encountered squaws who came to sell moccasins they embroidered in their camp on Union Hill.

Robert L. Stevens lived in 35 Barclay Street.

Mr. Woolworth made his fortune by the sale of popular articles of merchandise at five and ten cents. Beginning in a small way with the incoming tide of our prosperity in 1879, he now employs an army of 20,000 people in 624 stores, and continues annually to sell the same articles to the value of some $50,000,000. He gives no credit and his customers do not haggle.

The city of Paris adopted, by advice of Baron Hausman, in 1853, a rule which prevented the erection of buildings of excessive height and of an architecture which did not conform to the surroundings. Of these rules, which made the French capital so attractive, the former would have been difficult to enforce below Chambers Street, but both of them should have been required from occupants of



THE WOOLWORTH BUILDING

The Woolworth Building, completed in 1913, is the highest structure ever reared for commercial purposes, and is said to be the highest erected anywhere except the Eiffel Tower in Paris. The edifice towers 750 feet above the street and has 55 stories, served by 28 high speed elevators. The cost was about $13,000,000. The owner of the property, Mr. Frank W. Woolworth, is the celebrated merchant who has built up a chain of about six hundred five- and ten-cent stores. The view here given combined in an interesting way the old with the new, by showing the landmark of St. Paul's Church and the old Astor House, which at the time the view was taken had closed as a hotel and was on the point of being pulled down.

lots on Broadway above,—at least as far as Grace Church. The steeple of that church long consisted of a wooden imitation of marble, until funds to finish the structure in stone became available. The congregation has always been exclusive, and it was difficult for a stranger to secure a seat in a good pew. Anson Burlingame once waited some time before J. H. Brown, the pompous sexton, conducted him to a seat. When he recognized one of his own flock, that same Mr. Brown was attentive enough. He was consulted by young ladies of the congregation whom to invite to their parties.

The tower of the Metropolitan Life building vies with the Venetian Campanile, in beauty, a charm which makes the ugliness of other skyscrapers more striking. It would be hard to find elsewhere a more inharmonious aggregation of styles.

The height of the Broadway buildings varies between two and twenty stories. Of the tallest many look like huge packing boxes with glass-covered holes, set up on ends. Very few have architectural merit; they conduct passing storms from the sky above to the street below where they raise dust and litter.

Here are some instances of the want of uniformity among Broadway buildings:

The former home of Charles Scribner's Sons, 743 Broadway, a wide four-story brick building, has for its neighbor a five-story house, with an iron front next to it; then adjoining to the south, comes a seven-story house then a six-story brick, used by hairdressers, who provide old cats with steamed rats and young witches with long switches, then follows the "Anderson" twelve-story loft, occupied by "King Button," on the corner of Waverly Place, the roofs having the aspect of huge stepping stones. There is a fourteen-story granite loft on the southwest corner of

Twelfth Street, and a reconstructed two-story dwelling next door, with a cheap restaurant on the ground floor, while the upper story is used by Mme. Mandelkern, a French dressmaker. The block is completed by the iron warehouse which James McCreery occupied, which now overshadows an Austrian bakery.

Some sites along Broadway have become famous by the memories of their past. The skyscraper on the northwest corner of Broadway and Chambers Street covers the ground of the Irving House, where Jenny Lind resided. The marble halls of the New York Life Building, between Catharine Lane and Leonard Street, occupy the block of the venerable "Society Library." On the west side of Broadway, corner of Spring Street, two hotels flourished. North of Spring Street was the Prescott, a German house kept by Diez, where Theodore Wachtel, Marie Geistinger, and Bogoumil Davison stopped; south of Spring Street was the St. Nicholas, a famous commercial hotel, where James Gordon Bennett boarded. The sites of the Metropolitan Hotel, on the east side of Broadway, corner of Spring Street, and of Niblo's Garden, are absorbed by the Metropolitan commercial building. Adelina Patti made "her first bow to a New York public" in Niblo's; here the Ravels played, *The Black Crook* was presented, and Madame Rachel acted *Adrienne Lecouvreur*.

The Cable Building, northwest corner of Houston Street, replaces St. Thomas's Church; next door above was Henry Maillard, Taylor's French successor, across the way from Laura Keene's Theater. Opposite Bond Street was the "Winter Garden." Burton moved here from Chamber Street, and Edwin Booth played before he built his own "temple" on the southeast corner of Twenty-third Street and Sixth Avenue. In the Winter Garden Boucicault played *The Cricket on the Hearth* and Joe Jefferson played

Bob Acres, and *Rip Van Winkle.* Here Sothern represented *Our American Cousin* and John E. Owen *Solon Shingle.*

Aside from those mentioned and some ordinary minstrels called "Jim Crows," the following theaters were of importance:

The "National" on Chatham Square where Forrest played *Othello*, and where the first representation of *Uncle Tom's Cabin* took place.

In the "Stadt Theater" on the east side of the lower Bowery, classic German plays were given in German. The Mulligan Guards frightened the audience by dancing through the ceiling.

Lester Wallack gave the best English plays on Broadway and Thirteenth Street.

In the upper gallery of the Academy of Music on Fourteenth Street, we could listen to the sweet notes of "Mario and Grisi" for a couple of shillings.

The Grand Opera-House erected by the Erie Railroad on the northwest corner of Eighth Avenue and Twenty-Third Street reminds one of the sad fate of James Fisk, who was killed by Edward Stokes because the frail Josie Mansfield gave Fisk the preference.

Several theaters are dedicated to plays in foreign tongues, like the Irving on Irving Place for Germans. A large Yiddish theater on Houston Street facing Second Avenue is of recent origin.

The square fronting the west side of Broadway between Washington and Waverly Places was called Shinbone alley while the Potter's field was the site where our popular New York Hotel stood so long; it was a homely brick tavern with wide balconies. Our oldest New York families boarded here. Jefferson Davis and numerous Southern friends found a hearty welcome when they came. Randolph Guggenheimer placed on this site a loft structure.

The granite front has the aspect of a huge chessboard, every square being surrounded with gilt lettered signs of its occupants.

"Good wine needs no bush." Mr. Stewart had no signboard over his door, yet every woman knew how to find him. No mark indicates the entrance to our City Bank, still every boy knows it. Signs which occupants of buildings flaunt along Broadway are more curious than helpful. Anxiety for business exceeds their tenants' discretion. Here are specimens of the equivocal:

"Distribution of favors and kisses to liberal customers by charming women."

"Cotillion favors and souvenirs d'amour by Mesdames Rosenbloom and Veilchenblau."

"Members' entrance to the Mutual Underwear Society."

"Orbits painted by black eyed Susan."

"Jobs in knee pants by Pumpernickel and Roggenbrod."

"Pantalette Clearing House."

More ingeniously pointed are:

"The Overcoat Construction Co. does not conflict with provisions of the Sherman Act."

"Glass eyes and rubber noses fitted by Langnaas, while you wait."

"Lids for kids" (boys' caps).

"Sweaters, veils, and goggles for joy riders."

"Brain brokers' development of your ideas."

"Patent mosquito cages."

"Rinaldini's rough rider and buster suits."

Attics of many tall buildings on upper Broadway, disfigured by such announcements, are comparatively empty, and their useful occupation is problematical. Time would be opportune to let the city take the superfluous stories down, enforcing reduction of the height so as to make it conform to the width of the street. The increased value of

the remainder would compensate for reduced floor space. In conjunction with the timely abolition of impediments of sidewalks, Broadway might yet become one of the most beautiful streets on earth.

Fires occurred frequently sixty years ago, chiefly because many warehouses were poorly constructed, but insurance was expensive and not always reliable. Of sixty companies, with an aggregate capital of twelve and three quarter millions, only sixteen remained in 1910. Their capital, which amounted in 1853 to $3,810,000, now amounts to $10,600,004. This includes capital increases by the

Continental	from	$500,000	to	$2,000,000,
Home	"	500,000	"	3,000,000
Hanover	"	150,000	"	1,000,000
Niagara	"	200,000	"	1,000,000

The disappearance of nine millions of the capital, shown by this comparison, aside from assessments, which became necessary on the occurrence of conflagrations, is accounted for by losses and improvident management. Not all the capital of the old-time companies was paid in in cash,—a part consisted of notes of directors, who never expected losses which might compel them to redeem these notes. They did not appreciate the necessity of reserves, but divided premiums among themselves and other stockholders as soon almost as they were received.

Any large fire, like the one of 1835, when 650 buildings and merchandise valued at twenty million dollars were destroyed, was apt to ruin such companies. Many were founded to create places as officers and directors for those who subscribed to the capital, without reference to their ability or attention. It happened to the vice-president of one, a wealthy old gentleman, who came to read the

daily papers at his desk, that he noticed the clerks busy carrying ledgers to the door. He beckoned to one for an explanation, and fell from his chair when he heard that the company had failed.

The nominal surplus of the sixty-two companies which existed in 1853 was $2,567,077.59 over and above their combined capital of $3,810,000. The capital and surplus of the sixteen companies, which continued to exist in 1910 were:

Capital,	$10,600,004.00
Surplus,	34,336,348.93

or forty-four millions assets now against six and a quarter millions sixty years ago.

To these sixteen have been added nineteen other companies, with an aggregate

Capital of	$ 9,650,000.00
and a surplus of	24,280,627.62

the most important additions being the German-American, Germania Fire, the Queens Insurance Company of America, and the Fidelity-Phoenix Fire, making a total for the entire thirty-five companies of:

Capital,	$20,250,004.00
Surplus,	58,616,976.55

The following three became the most successful American companies:

The "Home" under the able management of Messrs. D. A. Heald, John H. Washburn, and Ellridge Gerry Snow.

The "Continental" under Messrs. George T. Hope, Francis C. Moore, and Henry Evans; Mr. Hope was prominent amongst exempt firemen. The "German-American," under the careful supervision of Messrs. J. W.

ELBRIDGE GERRY SNOW

President Home Insurance Co.; born in Barkhamsted, Conn., January 22, 1841; educated district and high schools, and graduated Fort Edward Institute; married in Waterbury, Conn., September 5, 1865, Frances J. Thompson. After leaving school, studied law and later entered insurance agency in Connecticut; in 1862, became clerk in the main office of the Home Insurance Co., where he remained nine years, then became state agent of the company for Massachusetts, and also with J. Edward Hollis, in insurance firm of Hollis & Snow; represented several other companies as local agent in Boston, until 1885, when he came again to New York City as secretary of the Home Insurance Co., and subsequently became vice president and president of the company. Director of North River Savings Bank; trustee New York Life Insurance Co. and other New York corporations. Member American Museum of Natural History, New England Society, Independent Order of Odd Fellows, Municipal Art Society, Mayflower Society.

Murray, Ernest L. Allen, and William N. Kremer. All three companies have been punctual in the payment in full of all their losses, those of San Francisco included.

It was customary for a merchant personally to visit the companies he believed in and place his insurance where he could get the best policy at the lowest price. The writer kept his own expiration book, and was received with welcome smiles when he paid an annual visit to the officers to renew his policies. Brokers were then considered the parasites of insurance. Since the business has assumed large proportions so that merchants can no longer attend to it personally, brokers have made themselves more than useful by their knowledge, which they employ for the benefit of their clients.

Up to 1865 we relied on volunteers, exempt from the payment of taxes and from civic duties, to extinguish fires. Bells gave the alarms, and members responded at all times of the day and night. Every company was eager to get ahead of every other company, so as to reach and extinguish the fire first. This rivalry resulted occasionally in disorder. While members quarreled over precedence, they sometimes allowed the flames free play. But when a fire was peaceably extinguished, the brave fighters were invited by neighbors to partake of refreshments. The volunteers were actuated by benevolence and impelled by emulation; to extinguish a fire had for them a strange fascination.

The social intercourse between members was pleasant. Some of our best citizens took a pride in belonging to favorite companies. Amongst them were two bank presidents, William L. Jenkins of the Bank of America, and William H. Macy of the Seamen's Bank for Savings; Jordan L. Mott, the iron master; of ship builders, William H. Webb who launched more tonnage than any other American; and erected for aged ship carpenters, at Fordham, the home

which bears his name; George and James R. Steers, who built famous yachts and steamers of the Collins Line.

Other volunteer firemen were: Solomon Kip and Albert Brown, who owned the Broadway stages; Albert J. Delatour, who cooled off the heads of speculators with soda-water at 25 Wall Street; James Y. Watkins, the house furnisher of Catherine St.; ex-Mayor Daniel F. Tieman; the brothers Harper, born in Newtown, the Second Ward of Queens, who became famous publishers; Thurlow Weed, the journalist and politician; William H. Wickham, Dr. Hosack, Cornelius W. Lawrence, W. H. Appleton, the publisher, A. W. Spies, gun importer; Lorenzo Delmonico, Police Inspector Byrnes, were all connected with our Exempt Fire Department. Firemen's balls were of social importance, and attended by our best families. On one of these occasions, Cyrus W. Field appeared in the full uniform of a policeman. He wanted to demonstrate that he was not too proud to wear the city's livery, and by this act he overcame the repugnance of guardians of the peace who refused to don it.

On the outbreak of our Civil War a regiment of firemen Zouaves was formed and sent to the front under command of Colonel Elmer W. Ellsworth. When called upon to save life or property our firemen never shirked danger. Young volunteers who were ambitious to be enrolled slept on the bare floors of the engine houses, and were broken to endure smoke; after filling their boots with brandy they sometimes helped to extinguish eight fires within twenty-four hours. When it was found that volunteers could not always be relied upon, and when the accumulation of valuable goods in congested districts made prompt action imperative, the present system of a paid department was inaugurated. The men combine with bravery a thorough knowledge of modern appliances, including the high pres-

sure, which in most cases they have been able to use effectively.

Few of our marine underwriters have prospered. Most of them have taken greater risks than circumstances justified, and they lost instead of making money. Horace J. Moody of the "Pacific" was of the most venturesome. B. C. Morris, president of the "Columbia," paid five per-cent. only of adjusted claims for losses. All of the following companies were obliged to liquidate:

The "Mutual" Insurance Co., incorporated in 1832, managed by Mr. John Delafield, who brought the first copy of our treaty of peace with England when he landed. He lived in Ravenswood, and was a director of the New York branch of the "Bank of the United States."

Colonel Richard Lathers from Charleston, S. C., was long president of the "Great Western." He made strenuous efforts to reconcile the South when Lincoln became President; for this patriotism he was greatly esteemed in the North. Owning a fine estate in New Rochelle, he lived and died at 248 Central Park West, after having entertained there some of the best people of the reunited country. Over the door of his downtown office hung this quaint sign:

Richard
Lathers
Smith
Shaves

Smith, a relative of Commodore Vanderbilt, discounted notes at stiff rates in the same building.

The "Orient Mutual" was managed by Eugene Dutilh. When he himself was obliged to fail, he paid American creditors in full.

The "National Lloyds," managed by Arthur Leary, who was a devoted friend of Mrs. Paran Stevens, the gay and festive widow of the Boston "Revere" house.

The "New York Mutual," which was presided over by T. B. Bleecker of the old New York family.

Even the "Sun Mutual" was compelled to quit in spite of the long and careful management of John P. Paulison.

That the "Atlantic Mutual," established in 1842, survives other American marine insurance companies is chiefly due to A. A. Raven, its president, and to his predecessors. At the Warehouse fire in 1845 a number of underwriters, who had insured against both fire and marine losses, had to fail, and the "Atlantic" acquired the best portion of the latter business. This company also had the foresight to purchase government bonds at the low prices which prevailed at the beginning of our Civil War.

Following the action of the London Lloyd's, American companies have begun to insure against almost everything—against losses caused by depression of trade; against all accidents to automobiles and to their owners; against every loss on merchandise during transportation, such as leakage, theft, and depreciation of the value of fashionable dry goods; against loss sustained by caterers and other purveyors in consequence of bad weather, and against tornadoes.

Before 1863, when the national banking system was invented, our medium of exchange consisted of coin, and State bank notes, the value of which fluctuated. John Thompson, 2 Wall Street, predecessor of the First National Bank, was the best judge of their value. He published the *Bank Note Detector*, a weekly newspaper, which was more indispensable to receivers of money than Bible and prayer book. It contained the rates of discount at which issues of banks in different parts of the country were acceptable, which varied from one half per cent. for Eastern bills to 5 per cent. for "wildcat" notes. Values of notes of suspended banks and descriptions of the last discovered counterfeit notes were published and hawked in extra editions along our

streets. Experts were employed besides to scrutinize the notes. When the cashier was in doubt, he required the written endorsement of a responsible party. Receipts of the day were taken to the nearest broker,—like Joe Hough, succeeded by Benjamin F. Manière, under Barnum's Museum, to obtain checks for what he approved. Manière became Police Commissioner.

Locations of "wildcat" banks were generally mysterious, and always distant. A large amount of the issues of one of those banks had been accumulated by a shrewd broker, who decided to present them personally at the bank. After a careful search, he discovered finally a log cabin at a railroad station in southern Indiana, over the door of which the sign of the bank was displayed. A polite cashier excused his inability to pay at once,—"the president had gone to Chicago, and carried the cash with him." It took the broker some days to find him, and to get his money, but not before he was nearly lynched by the indignant Hoosier community.

Because twenty millions—some thirty-five tons of bullion—were required by the banks to adjust daily balances, fifty-two of them established, October 11, 1853, a Clearing House at 14 Wall Street. Here they met and adjusted their mutual obligations in an hour, avoiding the risk of transporting the money they owed each other through the public streets.

When the South threatened to secede, and failures were a daily occurrence, these banks agreed to help each other by an issue of Clearing House certificates. All members who needed assistance, and who could demonstrate their solvency to the others, could get certificates for 75 per cent. of their good assets. For these issues all members of their Clearing House became jointly responsible, and the certificates passed between them in settlement of their mutual obligations.

This remedy, adopted by advice of Mr. George S. Coe, President of the American Exchange Bank, alleviated the money stringency. It has since been resorted to at the recurrence of every panic, and proved effective.

Mr. Coe had been the New York agent of the Ohio Life Insurance & Trust Co., the failure of which precipitated the panic of 1857, when 4000 failures occurred, involving three hundred millions. This panic was caused by loans to railroads in course of construction, and before the bonds issued for construction could be sold. The panic precipitated the suspension of every bank but the "Chemical." The writer then learned his first financial lessons. He had recently established himself; his capital was small, he had no liabilities. He drew a hundred dollars in gold from the Bank of New York, and a larger amount in notes from a Brooklyn bank. While his competitors chased impecunious creditors, he drank with a friend, who had been equally fortunate, to failures which could no longer disturb us. To while away time, he played chess with his bookkeeper. The panic was severe, but of short duration; bankers more than merchants were affected, and the writer began to extend credit again to solvent customers the following spring.

When Fort Sumter was bombarded in 1861 and the Civil War began, almost every Northern merchant who traded with the South was ruined. The banks realized that the Government could not borrow sufficient money to bring the war to a successful end, and suspended in December, 1861, except the Chemical, where the writer kept his account. His business had grown and included foreign accounts. Being anxious to protect his European creditors, he called on the bank to inquire about a balance of some $5000 he had on deposit. His mind was relieved when he was promptly assured that this balance had been placed to his credit in

A. N. Raven

ANTON ADOLPH RAVEN

Insurance president and bank official; born Curaçao, Dutch West Indies, September 30, 1833; son of John R. and Petronella (Hutchings) Raven; paternal ancestry English; maternal ancestors emigrated from Holland to New York and afterwards settled in the Dutch West Indies; boyhood spent on Island of St. Thomas until seventeen years old, when he came to New York City; married in New York City, 1860, Gertrude Oatman; has four children, of whom one, the Rev. John Howard Raven, is professor of Old Testament language and exegesis in the Theological Seminary of the Reformed Church in America, at New Brunswick, N. J. Became clerk in office of Atlantic Mutual Insurance Co., January 4, 1852; advanced successively to underwriter, fourth vice-president, third vice-president, second vice-president, vice-president (1895–1897), since then president. Honorary vice-president and trustee of Home Life Insurance Co.; director Bank of New York (N. B. A.), Fidelity & Casualty Co.; trustee Seamen's Bank for Savings in the City of New York; vice-president American Geographical Society; member American Museum of Natural History and of Metropolitan Museum of Art.

gold—"because it had been as good as gold when deposited." No other bank was equally considerate. The action encouraged the writer to keep his books on a gold basis, and taught him to abstain from risky ventures.

The difference between speculators on margin on the Stock Exchange and ordinary gamblers is trifling. The former's transaction is sanctioned by law, and may occasionally have been useful by upholding worthy enterprises, such as the extension of railroads. On the strength of this argument speculators on the bull side have claimed that their efforts to sustain the market were patriotic and deserved encouragement. The facts are, one class of speculators only can gain what the other loses, while buyers and sellers of merchandise may both benefit by their transactions. When Daniel Drew, a cattle drover, became a successful stock manipulator, he was consulted by a pretended friend about the stock market. This "friend" did the opposite of what Drew advised, and made money, until one day "Dan" told him the truth, and ruined the fellow, who had continued the same policy.

George G. Williams, President of the Chemical Bank, was the son of a physician in Haddam, Conn. The remarkable success of the bank was largely due to his faithful services. He lived and died at 24 West 58th Street; his charming daughter Clara married Mr. F. B. Keech. Amongst the reminiscences of Mr. Williams, one is worth recounting. While still cashier, a customer came to Mr. Williams and inquired anxiously for Director Goelet. Williams pointed to the door of the directors' room, but saw the customer quickly withdraw,—he "could see only a man seated in shirt sleeves, who mended his coat." But, "That's him," Mr. Williams retorted, and pushed the customer in again. When he took courage to say why he came and who sent him, he received the money he wanted.

Money was hard to get, but sometimes it was harder to get change. The writer remembers a twenty dollar bill of a Rochester bank he could not get changed for several days. In every coach or restaurant where he offered it, he was obligingly requested to pay another time. Tokens from a penny up were issued by tradesmen, cities, and railroads. Handsomely engraved, they served at the same time as advertisements. The situation was relieved when the Government issued postal currency in denominations varying from five to fifty cents, ostensibly to purchase postage stamps—in reality to provide change. A large amount, some ten millions of this "money," has never been redeemed.

When gold rose to a premium, it was sold by brokers, first at their exchange in a dingy room called the "Coal Hole," on the southeast corner of William Street and Exchange Place, under the Lackawanna office, and when the business grew, in larger quarters. The premium fluctuated with the fortunes of war, but rose to no alarming figures, until patriotic members of Congress prohibited the sale in 1863. The gold room was closed, but the premium rose until it touched 250. The writer paid to Trevor & Colgate 260 for a small amount needed for duties.

The country became alarmed, and Congress repealed the law quicker than it passed it. The speculation in gold, after this abortive attempt to suppress it, became more active, and was continued in evening sessions at the Fifth Avenue Hotel. When news of Sherman's successful march through Georgia came, some "copperheads," continued to doubt. Mr. Tobin offered to take at 200 all the gold available in the room. When it was tendered to him on the following morning, he suspended. After the war gold declined to a reasonable premium, and rose only once to over 150, on September 24, 1869, the memorable "black Friday," when daring gamblers manipulated it to depress the stocks.

Jay Cooke & Co. failed September 18, 1873, because they could not realize on their bonds of the Northern Pacific Railroad. Their suspension made a deep impression, because they had long been the financial agents of the Government. When the Union Trust Co. could not borrow on the credit of the Michigan Southern Road, they suspended September 20th. Edward King of Prime, Ward & King became president; he succeeded in rehabilitating the company, making it one of our strongest institutions. Prices of securities fell, so that the Stock Exchange closed its doors for ten days, and the banks composing the Clearing House again pooled their assets. Some five thousand failures with $230,000,000 of liabilities occurred in 1873.

The number of failures increased to six thousand in 1874, but the liabilities diminished to $150,000,000. More merchants and fewer bankers were involved. The failure of Hoyt, Sprague & Co., with debts of $10,000,000, took place in 1874. They made print cloths in Providence, and sold them in Franklin Street. William Sprague, Senator for Rhode Island, had married the accomplished daughter of Salmon P. Chase. A. D. Juilliard, a patron of art, became receiver. Mrs. Juilliard is known as a contributor to charities.

Fred Gebhard came from Germany in the early years of last century. Established in lower Greenwich Street with Fred. Schuchardt, his kinsman, under the name of Gebhard & Schuchardt, he sold swan gin, hardware and furs. When they became bankers, and moved to 21 Nassau Street, they continued to sell merchandise on commission. The Gebhards left, and Schuchardt took a son-in-law as partner. Imprudent loans to railroads compelled the firm to fail in Exchange Place in 1875. Fred Gebhard, grandson of the founder, became infatuated with Mrs. Langtry, the hand-

some actress, called the "Jersey Lily" when she visited this country.

During the following years, as commodities and securities continued to decline, some of our best houses failed. In 1875 Duncan, Sherman & Co. became involved by the decline of cotton. When the combination of anthracite coal miners collapsed, their accumulated stocks were sold at auction by J. H., son of Simeon Draper.

There were ten thousand failures in 1878 with liabilities of $234,000,000, and the depression continued. The noon-day meetings in our downtown churches were crowded—but prayers could not restore confidence; the resumption of specie payment did, when in January, 1879, it became a *fait accompli*. When we found how readily we could turn our bills receivable into cash, we took since 1873 advantage of the low rates which prevailed these lean years for exchange, and recouped many of our losses through rebates on sterling drafts.

Our prominent foreign bankers then were:

August Belmont, who came as agent of the Rothschilds from Frankfort, married Commodore Perry's daughter, and was sent as minister to The Hague by Franklin Pierce. He was irritable, but a strong man of good judgment. His son, bearing the same name, who continues the business, has inherited his father's sterling qualities.

L. von Hoffmann & Co. were distinguished by extreme caution. In 1857 they withdrew from the banks what balances they had, and locked the money in their office safes in the *Post* Building. One of the two brothers slept alternately with the other, with loaded pistols in the rooms, and so continued until the banks resumed. Marquis de Mores, the French nobleman, who married von Hoffmann's daughter, became a rancher, and astonished the Western cowboys by his eccentricities.

When Franz Martin Drechsler Americanized his German name, and opened in Philadelphia as F. M. Drexel in 1837 a *Wechselstube*, he did not dream of the power his successors would exercise. Besides the old Philadelphia firm, there is John Pierpont Morgan, the "Jupiter Tonans" of Wall Street, as Mathew Marshall called him; Drexel, Harjes & Co. in Paris, and Morgan, Grenfell & Co. in London.

Eugene Kelly & Co. laid the foundation to their fortune in California under the firm name of Donohoe, Kelly & Co. Punctilious in business, Mr. Kelly had the most kindly disposition toward worthy sufferers, the Catholics especially.

J. & W. Seligman, also California merchants, dealt in notions in Vesey Street, under the name of Seligman & Stettheimer. They weathered the financial storm of 1857, became bankers and fiscal agents of the Government. Brown Bros. & Co. began business as linen importers under the name of Alexander Brown & Sons. Heidelbach, Gans & Co., predecessors of Heidelbach, Ickelheimer & Co., originally were merchants; so were the following firms:

Knauth, Nachod & Kühne.

Philipp Speyer & Co., predecessors of Speyer & Co.

Schulz & Bleidorn, predecessors of Schulz & Ruckgaber, agents for John Berenberg, Gossler & Co., in Hamburg.

Ballin & Sander relinquished their import business in 1852 to become bankers. Eugene Ballin assisted Philipy Bissinger in founding the German Savings Bank. He was proud of his artistic mustache, his *Henri quatre*, and of his membership in the Old Guard. No picture of Mr. Ballin, except in uniform, has ever been taken.

Wm. Schall, besides being a good banker, was a genial companion. His son continues the firm under the name of Müller, Schall & Co.

The Hallgarten firm was founded by Hallgarten & Herzfeld in the basement of 4 Hanover Street, where they

"shaved" notes,—the old gentleman received customers in his shirt sleeves. His son Adolf was partner of Lanman & Kemp.

M. Putzel, who also bought notes, took Goldman for his partner. Their successors, Goldman, Sachs & Co. have become large international bankers, like Lazard Frères.

Of the older generation, Wm. & John O'Brien and E. Pavenstedt & Schumacher discontinued; Meyer & Stucken are succeeded by H. Amy & Co.

The serial successors of G. vom Bauer were:—Marcuse & Baltzer, Baltzer & Taaks, and Taaks & Lichtenstein. Paul Lichtenstein in the firm of Ladenburg, Thalmann & Co. is the only survivor.

Of merchants who could sell their "clean" bills of exchange, (without documents), the following deserve mention:

Christian Boers, agent for Nottebohm Frères, Antwerp, and also the chief exporters of petroleum before the Standard Oil Company drove them out of business.

Meissner & Ackermann, who became export agents for John D. Rockefeller, and who were large exporters of cotton.

Knoop, Hanemann & Co., agents for Gebrüder Knoop, cotton spinners in Moscow, Russia. Hanemann drew on De Jersey in Manchester.

De Rham & Co.

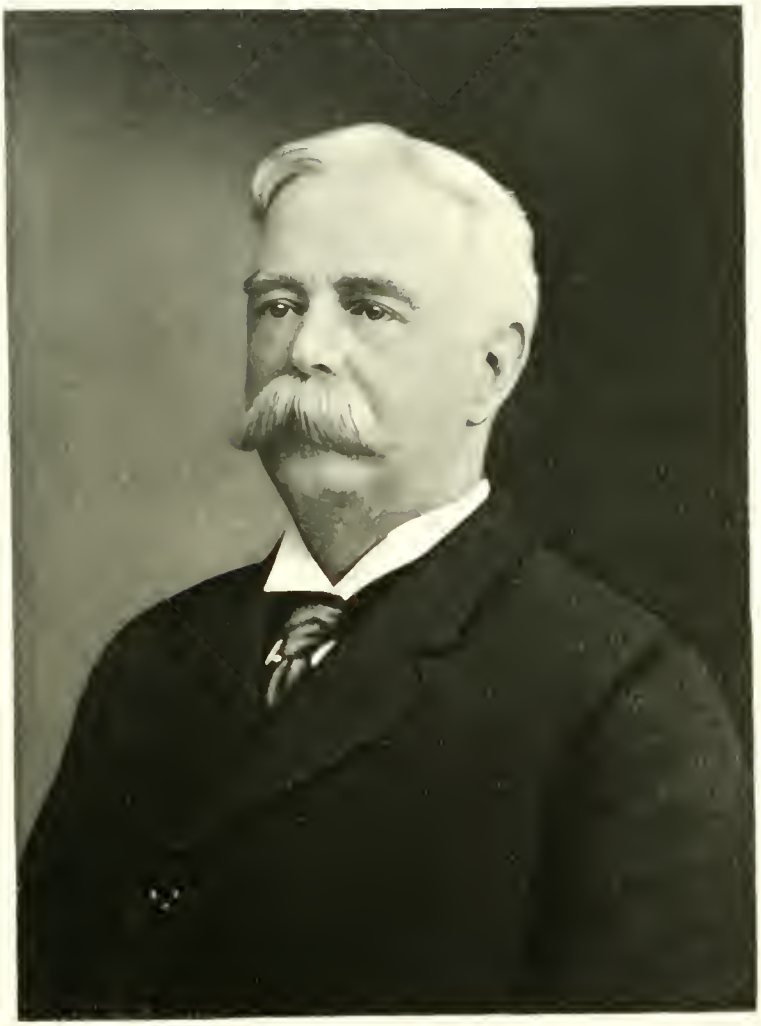
Alfred Merian.

Hennings, Müller & Gosling.

Ehrich Meyer, successor to F. W. Kriege & Meyer, who shipped naval stores. Chief exporters of tobacco were:

Hermann Koop & Co., William Street.

Simes & Hüffer, Stone Street, and their serial successors: Leopold Hüffer; Hüffer, Toel & Co.; Toel, Rose & Co. They all were agents of Wm. Hüffer from Münster, who



E. G. Richards

ELLIS GRAY RICHARDS

Fire insurance specialist; born in Worcester, Mass., December 16, 1848, and educated in that city. Has been in the business of fire insurance for nearly forty years, being manager of the United States branch of the North British & Mercantile Insurance Co. of London and Edinburgh. His earlier years in his business were spent in Worcester and Boston. Removed to Hartford, Conn., in May, 1887, and until the close of 1899 was vice-president and secretary of the National Fire Insurance Co. of Hartford. Mr. Richards is president of the North British & Mercantile Insurance Co. of New York and also of the Commonwealth Insurance Co. of New York, as well as a director in both companies. His present business relations were commenced in January 1, 1900. He is also vice-president of the National Board of Fire Underwriters.

became purchaser of tobacco for the French Government, which has the monopoly of the weed in all French possessions.

Recknagel & Co., successors to Recknagel & Schwab, and Fischer & Keller exported drugs. Carl L. Recknagel considered merchandise safe to speculate in, because it was difficult to sell!

Ralli Bros.; Barnsdorf & Co.

P. C. Rodochanachi, succeeded by Munzinger & Co.

Stursberg & Ruperti, successors to Janssen, Schmidt & Ruperti. This firm originally was established early in the nineteenth century by J. W. Schmidt, the Prussian Consul-General.

Bunge, Burlage & Co. were agents for Burlage & Co. in Antwerp.

Edward Bech & Kunhardt, 69 West Street, were succeeded by Kunhardt & Co., who have been agents until 1888 for the Hamburg Line of steamers. They did, and continue to do, a large West India business. The charming manners of Mr. George E. Kunhardt brought hosts of friends to his firm.

Shippers sold their bills to bankers for cash, payable against delivery of documents, on the sailing day of mail steamers. Brokers who negotiated these sales received commissions of one eighth per cent. for the sale of English, and one quarter per cent. for continental bills,—rates which seem exorbitant now.

Bankers, merchants, and brokers who dealt with foreign countries were, with few exceptions, Germans. In their anxiety for business, brokers bought what bills the respective firm had to draw during the week. This was legitimate for brokers who had funds to carry what bills they did not sell.

They included fifty years ago:

Bröckelmann, Unger & Co., succeeded by Charles Unger, now F. S. Smithers & Co.

George Wortherspoon; Kamlah, Sauer & Co. Mr. Sauer became president of the German-American Bank.

Daniel H. Greffe; Rodewald & Winterhoff; Henry Verhuven, who are dead. Greffe lost his fortune by the failure of Schepeler, the Russian merchant, who negotiated for W. H. Seward our purchase of Alaska.

Many smaller brokers, who had been unfortunate in other callings, resorted to the sale of bills. One portly gentleman, who had to visit Carlsbad while he was a banker, became slender after he failed. When he was compelled to go from house to house, to sell bills to his former competitors, he needed no other cure. Some impecunious brokers, who had the temerity to buy bills before they sold them, got into trouble when Friday came and they had no means to pay. The writer, known as a buyer, evaded the Broad Street block, where brokers congregated, so as not to be importuned. One of them, who had a violent temper, and who exerted a magnetic influence, could not pronounce the letter "l." He spoke of Hagen & Billings as "bunion" dealers when we declined once to buy his drafts on Hamburg; we appeased his anger by the purchase of his dog. He ended by committing suicide.

When the indefatigable Gumpellino lost his place as secretary of a banker, and became broker, he profited by the friendship of his customers. He sold drafts, which his former principal no longer would take. Many of these were returned under protest, and he acquired the reputation of dealing in bills on which his clients could collect, besides principal and interest, the customary penalty of 10 per cent. When his clients found their credit to suffer in consequence, Gumpellino had to relinquish his specialty. On another Friday we encountered Fritz Teaserman on Broad Street. He had sacrificed the bills he could not pay for, but needed cash to resume business on Monday. We bought a fine

portrait of Goethe, an heirloom, which he had received from Europe, and which continues to adorn our library. The proceeds did not help long,—he died in misery soon after. In time of depression many bankers accepted notes instead of cash for their bills; they charged naturally high rates, and terms were confidential.

Business has now grown to large proportions, and is done for small commissions, almost exclusively for cash. Most of it has fallen into the hands of a few large banks, who sell their sight bills to merchants direct, and who have dispensed with the services of brokers. These banks generally employ expert German clerks to manage this business.

The largest banks dealing in foreign exchange are:

The National City Bank, formerly ruled by James A. Stillman.

The Hanover National Bank, formerly by James T. Woodward.

The National Park Bank, by Richard Delafield.

The Bank of Commerce and the Bank of New York are also dealers in foreign bills. The Guaranty Trust Co. has the reputation of doing more foreign business than all others, while The American Express Co. has absorbed the lion's share of traveler's credits. Since European travel has begun to grow, the amount needed for such credits has become enormous.

Speculation in mining stocks, which was initiated in 1861, included many worthless claims, such as the "Mariposa Co.," which had been boosted by borrowing the name of General John C. Fremont. Edward Mott Robinson, father of Hetty Green, sold California mining stocks at 23 Wall Street. When petroleum wells were discovered along the Allegheny River and West Virginia, a number of speculators rushed to take advantage. Many oil fields put on the market were sold by misrepresentation. As Western gold mines

had been salted, oil wells were greased by pouring barrels of crude oil into the crevices of the rocks, which diggers were invited to smell.

A petroleum and mining stock exchange was opened 1866, and did for some years a large business, most of which proved disastrous. A persistent stock broker, who dealt in these claims, was John Pondir. He learned to lie while he was salesman for the Christian importing firm of Messrs. Christ & Jay. "Honest John" he was called by his competitors, because ultimately he believed the lies he told;—"handsome John" because his son was uglier than he was. His nose was so long that he could not see the point without spectacles. This man allowed no acquaintance to pass without selling him a few hundred shares of "Germania" or other "chromos." The writer became one of his victims, and has kept shy of promoters ever since. When they importune him, he dampens their ardor with the quiet remark that "he is satisfied with the means he has."

The crisis of 1884 came with the failure of the Metropolitan Bank on May 14th the day when a robbery of $3,000,000 from the Second National Bank by its speculating president was discovered. The deficiency was made good by the president's father, and the Clearing House came to the assistance of the bank and of George I. Seney, President of the Metropolitan. He had attempted to control certain railroads of doubtful value by watering their stocks. The Clearing House nursed the assets of the bank and of Mr. Seney, until the debts were all paid. Seney left when he died a collection of excellent paintings.

On May 18th, Grant & Ward, together with the Marine Bank, failed. The financial reputation of Ulysses Grant was never great;—this failure ruined it. Fish, President of the Marine Bank, was hypnotized by Ward, the "Napoleon of Finance," who paid unheard-of interest to secure deposits,

and finally went to prison. A number of large failures followed; amongst them were: Orlando M. Bogart, Fisk & Hatch, Donnell & Lawson. The rate of interest on call loans, which recently had been 4 per cent. per annum rose to 4 per cent. a day, caused by the return from Europe of American securities, and the consequent rise of foreign exchange.

Baring Bros., a firm of London bankers, failed in 1890, when securities of the Argentine Republic became unsalable; they were the oldest and best known firm in the world, but alone they could not sustain the credit of this now flourishing South American commonwealth. The passage of the Sherman Act, compelling, as it did, our Government to pay for silver more than its value, impaired the confidence in our securities. These two incidents were sufficient to create a panic, which would have been more disastrous if our Clearing House had not stepped in to help. No better remedy has been devised for the faults of our financial system.

Runs on banks are indicated by long lines of anxious depositors, some of whom remain all night to be on the spot when the bank opens. The string of depositors extends often from the doors into the street, and around the adjoining squares. Policemen watch so that no depositor gets an unfair advantage over another depositor. These scenes continue until the bank fails, or until the depositors are satisfied that it is safe to leave their money where it is. This transition of extreme diffidence to perfect confidence is remarkable.

The collapse of the Cordage Swindle led to the crisis of 1893. Securities of industrial enterprises were discredited, and money was hoarded. In Western communities amateur burglar clubs were formed, the members of which agreed to scare with dark lanterns and burglar tools all neighbors who had hidden money, and induce them to return it to

banks from which they had withdrawn it. Most of them were glad to be relieved of the anxiety.

The events of 1907, the suspension of the Knickerbocker Trust Co., the embarrassment of other banks, are fresh in our memories. Histories of panics repeat themselves; the circumstances alone differ. During 1907, we drew on Europe for more gold than we did during any previous crisis, but we have since exported large sums to relieve a money pressure in Berlin. We have also begun to negotiate foreign loans on a large scale. Deposits in our Clearing House banks were sixty-five millions in 1855; they approximate two billions now. The accumulation of money in financial centers enables New York to lend, where formerly she only borrowed.

Elizabeth Forman

ELIZABETH JORDAN

Editor, author, and playwright; literary adviser Harper & Bros., born Milwaukee, Wis., May 9, 1867; daughter William Francis and Margarita (Garver) Jordan; graduated Convent of Notre Dame, Milwaukee. Member editorial staff New York *World*, 1890–1900, being assistant editor Sunday *World* three years. Editor of *Harper's Bazar* January 1, 1900, to March, 1913. Author, *Tales of the City Room* (Scribners); *Tales of the Cloister* (Harpers); *Tales of Destiny* (Harpers); *May Iverson—Her Book* (Harpers); *Many Kingdoms* Harpers); *May Iverson Tackles Life* (Harpers); joint author of *The Whole Family* (Harpers), in collaboration with William Dean Howells, Henry James, and others; author of numerous essays and short stories in English and American magazines. Author of three-act comedy, *The Lady from Oklahoma*, produced in New York, 1913; and one-act play, *The Beauty Parlor*, produced 1913. Vice-president Notre Dame Alumni Association; member Big Sisters Organization, Committee of One Hundred, New York Equal Franchise Society, New York Education Committee, Immigrants Civic League of North America.

CHAPTER X

DEVELOPMENT OF THE PERIODICAL PRESS

BY ELIZABETH JORDAN

THE history of modern civilization, with all its shortcomings,—with all its crimes, if one takes so dark a view of the world,—is the history of the printing press; and certainly the history of American newspaper and magazine literature is, in a very intimate and real sense, the story of the invention which Gutenberg made in Mainz more than five hundred years ago.

There is a great deal to be said for the school which educates a race of readers. There is a great deal to be said for the library which develops a taste for reading. Those who found the one and the other are, undeniably, apostles of learning and of literature. The lecturer, the man who works the stereopticon slide, the men who have opened up the means of transportation across continents and across oceans —all these have stimulated that curiosity in regard to life which is the reader's appetite and thus one of the primary causes of the amazing development of the press in the last fifty years. To all of these belongs in some degree the credit, if credit it be, of arousing that which only the frequent, vitally alive periodical can satisfy; but it is the men who have perfected the printing press who have made it possible that this craving could be satisfied and who, paradoxically, have thus created a greater passion. In nothing is it more true

than in reading that the appetite "doth grow by that it feeds upon."

The names of these mechanicians are not upon the familiar roll of fame along with our Hawthornes, our Lowells, our Poes, our Emersons, and the intellectual descendants of these mighty men. But it is they who have established the fame of these, our great, in all parts of the world. The Clymers, the Stanhopes, the Smiths, the Treadwells, the Nicholsons, the Napiers, the Koenigs, the Dutartres, the Hoes, the Cottrells—there is a long line of them. One by one, here, in Germany, in France, and in England, they have all—probably quite careless of the cause of letters, probably quite indifferent to the hunger of the human heart for poetry or the thirst of the human mind for information concerning its neighbors—perfected the wonderful thing which now deluges us with information and with misinformation.

As long as printing and all the following processes up to distribution were expensive, slow processes, so long was knowledge bound to be the possession of the few, and so long were magazines and even newspapers limited both in their actual or physical reach, and in their appeal, to the intellectual or the pseudo-intellectual classes. But with the marvelous mechanical developments of the last fifty years, and particularly of the last fifteen or twenty of these years, the labor of production and of distribution has been enormously reduced and cheapened.

The machinery for turning out newspapers at a rapid rate was improved, one may almost say perfected, long before it was considered desirable to combine a great rate of speed with the fine quality of craftsmanship demanded by magazine work. As early as the forties, American press manufacturers were experimenting with the possibilities of the single small cylinder and the double small cylinder machines which one Napier, in England, had patented. The single

cylinder produced 2000 impressions an hour, the double 4000, and the world held its breath at the thought of such an output. By 1871 a rotary press to print from a continuous roll or "web" of paper was under consideration. When this was perfected 18,000 perfect papers an hour were possible of delivery and the great dailies, as we know them, were practically established. Now 150,000 twelve-page papers an hour are turned off the giant machines!

Another factor contributing to the enormous increase of periodical output during the last half century has been the discovery of a process for producing paper from wood pulp. Up to 1850 rags were used for the manufacture of paper. About that time the supply of rags began to fall far short of the demand for them. A period of experimenting in the possibilities of straw followed, but this had no very satisfactory results. Then came the discovery of the wood pulp process and forthwith paper was a cheap product and the forests of the country promised to supply it indefinitely. It can be produced at a rate of about three cents a pound—something amazingly below the old price of the rag product.

After the newspapers were, so to speak, on their feet, the mechanical processes which have resulted in the enormous output of magazines in the past twenty or twenty-five years began to be perfected. Some idea of what this output is may be gained from the statement that an ordinary library bulletin contains over three hundred magazines of the literary sort listed, besides page after page of special periodicals. All this has been made possible by the perfection of machinery. Consider what it means—a machine which every hour will turn out 4000 magazines of thirty-two pages each, with a cover in two colors, delivering them folded, fastened together with two wire staples, and counted! It is only about twenty-one years ago that machinery was adapted to do not only swift but fine work, such as is demanded by all

the modern magazines. Theodore De Vinne describes this magazine press thus: "At the end of a long row of machinery stands the web press—a massive and complicated construction, especially built by Hoe & Company, for printing, cutting, and folding the plain and advertising pages of the *Century*. Web presses for newspapers are common enough, but this press has the distinction of being the first, and for three years the only, web press used in this country for good book work. At one end of the machine is a great roll of paper, more than two miles long when unwound and weighing about 750 pounds. As the paper unwinds, it passes first over a jet of steam which slightly dampens and softens its hard surface and fits it for receiving impressions without leaving it wet or sodden. It passes under a plate cylinder on which are 32 curved plates, inked by seven large rollers, which print 32 pages on one side. Then it passes around a reversing cylinder which presents the other side of the paper to another plate cylinder on which are 32 plates which print exactly on the back the proper pages for the 32 previously printed. This is done quickly—in less than two seconds—but with exactness. But the web of paper is still uncut. To do this, it is drawn upward under a small cylinder containing a concealed knife, which cuts the printed web in strips, two leaves wide and four leaves long. As soon as cut, the sheets are thrown forward on endless belts of tape. An ingenious but undetectable mechanism gives to every alternate sheet a quicker movement, so that it falls exactly over its predecessor, making two lapped strips of paper. Busy little adjusters now come into play, placing these lapped sheets of paper up to a head and a side guide. Without an instant of delay, down comes the strong piecing blade over the center of the sheet and pushes it out of sight; pulleys at once seize the creased sheet and press it flat, in which shape it is hurried forward to meet three circular knives on

one shaft which cut it across in four equal pieces. Disappearing for an instant from view, it comes out on the other side of the upper end of the tail of the press in the form of four folded sections of eight pages each. Immediately after, at the lower end of the tail of the press, out come four entirely different sections of eight pages each. This duplicate delivery shows the product of the press to be at every revolution of the cylinder 64 pages, neatly printed, truly cut, and accurately registered and folded, ready for the binder. Two boys are kept fully employed in seizing the folded sections and putting them in box trucks by which they are rolled out to the elevator and on these sent to the bindery. This web press is not so fast as the web press of daily newspapers but it performs more operations and does more accurate work. It is not a large machine nor is it noisy, nor does it seem to be moving fast; but the paper goes through the cylinders at the rate of nearly 200 feet a minute; it does ten times as much work as the noisier and more bustling presses by its side."

As if this miracle were not enough, the manufacturers of the press proceeded to busy themselves with the invention of a machine on the rotary principle adapted for the finest kind of illustrations—indeed to make a press which should do as fine work as it was possible to do on the hand press or the stop cylinder. The result was that the next year after the web press just described was set up in the De Vinne printing house, a machine known as the "rotary art" press was introduced there. This is described in the *Century Magazine*, which first used it, as follows: "Sixty-four plates of the *Century*, truly bent to the proper curve, are firmly fastened on one cylinder 60 inches long, and about 30 inches in diameter; 16 inking rollers, supplied with ink from two fountains, successfully ink these 64 plates with a delicacy and yet with a fullness of color never before attained. The

shafts of the impression cylinder and the plate cylinders, 4½ inches in diameter, do not give or spring under the strongest impression. Although rigid in every part, in the hands of an expert pressman it can be made responsive to the slighest overlay. This machine is fed by four feeders from single sheets in the usual manner, and does the work of four stop cylinders in superior style. The gain in performance is not so great as the gain in quality and presswork, but quality was considered more than speed. The performance of the machine could have been more than doubled by adding to it other cylinders which would print on both sides of the paper; but careful experiment has proved that the finest woodcuts cannot be properly printed with this rapidity. To get the best results the ink on one side of the paper must be dry before it is printed on the other side."

Here then we have, if not the primary cause of the enormous increase of magazine and newspaper literature in New York State and throughout the country, at least an interacting cause. At the great Source of Things it seems to be arranged that the intellectual and spiritual needs of the human race shall dumbly make their appeal to the race's mechanical genius and then that the mechanical genius shall in turn stimulate that which has, with mute insistence, brought it into being. Without Gutenberg, the Renaissance might have been a vague dream. But who shall deny that the great subterranean human forces which were to produce a revival of learning—the whole modern world—did not labor to produce Gutenberg? And so it has with the great modern manifestation and weapon of democracy, the force which more than any other has made all men free and equal, giving information alike to all—the material on which to build judgments. The modern newspaper and magazine press is, in a very real sense, the child of modern mechanical genius; but modern mechanical genius exists in response to the

E P Thompson

EDWARD PAYSON BRYAN

Railway official; born Ashtabula County, Ohio, July 2, 1847; son John Love and Calista (Griswold) Bryan; educated in public schools and preparatory department of Denison University, Granville, Ohio. Began as telegraph operator on Louisville & Nashville Railroad, at Lebanon, Kentucky, 1865; held various positions on same road and appointed superintendent at Louisville, 1890, and later transferred to St. Louis; vice-president and general manager Terminal Railroad Association, St. Louis, 1895–1900; vice-president and general manager, 1900–07, of the New York subway, then under construction; president, 1907–09, of the Interborough Rapid Transit Co. (resigned June 30, 1909); vice-president Great Western Power Co., San Francisco, since January 1, 1909; director Metropolitan Securities Co. (New York), New York City Interborough Railway Co.; trustee New York & Long Island Railway. Died January 23, 1910.

untranslated, dimly understood needs of the race—is itself the child of insistent spiritual longings.

And what has the progress been of the printed word in this century? The records show us that in 1800 there were, to a population of something over five million, two hundred periodicals, such as they were. As far as the magazine part of them was concerned, they were mainly reprints from the English reviews. By 1873 we learn that there were eight thousand periodical publications of all sorts in this country. That record is the result of the work of a New York bookseller, Ernest Steiger, who, with great diligence and a patriotic interest in the country of his adoption, labored to collect for the Vienna Exposition of that year an American periodical exhibit. He had great difficulties in his undertaking, and complained rather bitterly of the indifference of publishers to his requests for samples of their periodical wares. But in spite of their apathy and his own forebodings concerning the success of his undertaking, the exhibition must have been rather an imposing one, for we find in a copy of *Ueber Land und Meer* of that year this exclamation of wonder and admiration: "Eight thousand periodicals are issued between the Gulf of Mexico and the great Canadian Lakes! One periodical to every five thousand persons, published in nearly all the languages of the civilized world!"

To-day to our population of something over ninety-five million souls, there are more than twenty thousand newspapers and periodicals. In other words our population is seventeen times as large as it was a century ago and our journalistic provision for that population is a hundred times greater. Almost all of this increase has been since 1850. Probably no cause contributed so largely to the growth of the newspaper—no cause, that is, outside the mechanical developments in printing—as the Civil War. The Ameri-

can people had to have newspapers then and, as always happens when a real need arises, they did have them.

Of course there were periodical publications before 1850. The *North American Review*, now in New York, and sole survivor of the very early period, was started in Boston in 1815; and it is worthy of note in these days when authors of all sorts—poets, story-tellers, essayists, war correspondents, social philosophers, and even "common scolds"—fall over one another, figuratively if not literally, in the waiting rooms of all the magazines, that the whole of the first number of the *North American* was, except for one long poem, the work of one man, William Tudor. This magazine was, however, the only one of lusty enough life to survive the chances and changes of the early period; and to-day, in New York, under the brilliant editorship of Colonel George Harvey, it is steadily growing in power and greatness.

Until 1833, when the *Knickerbocker Magazine* made a serious and noteworthy attempt in the direction of a modern literary magazine, the chief periodical food of the country was the Annual and abortive little reprints out of English magazines. Between 1815 and 1833, 137 of these "literary" periodicals came into being and passed out almost unnoticed. About fifty of them were religious, six were organs of reform, and six were devoted to science and art, as these terms were understood in that period. The rest were full of clippings from the English reviews and of miscellaneous literary and family journalism.

The Annuals were wonderful things. They contained engravings of the widow-and-the-weeping-willow school of sentiment, poems to match, highly moral stories, many of them by the indefatigable Mrs. Sigourney, fashion notes and domestic advice, mostly in very fine print, excessively trying to the eyes and perhaps accountable for the great prevalence of the horn-bowed spectacle.

Among the monthlies preceding *Putnam's Magazine*, which was established in 1853, was the *American Monthly Magazine*, whose leading spirit was Henry William Herbert, better known as Frank Forester. He was an Englishman educated at Cambridge, and an authority on all sorts of sports. He also later played an important part in the early life of *Putnam's Magazine*.

In that early period—the "false dawn" of magazine literature—it almost seemed as if no periodical was well started to which Poe did not contribute either literarily or editorially. We read of him on the *Southern Literary Messenger*, published in Richmond in 1830 by E. A. White. Mr. White invited Poe to help in the editing of the magazine, and Poe soon had entire charge of it. However, his course here, as in all other places, was meteoric. He resigned and became merely a contributor. In 1837 the *Gentlemen's Magazine* was founded in Philadelphia by the actor comedian, William E. Burton. Again Poe was its leading contributor, and by the end of the second year its editor. And again the inevitable happened. Mr. Burton resumed control after the customary harrowing experience with the most stormy, electric genius that has ever flashed across our literary firmament. Again in 1841 we find Poe editor of and contributor to *Graham's Magazine*. In this we find much of his very best work. Here he was succeeded as editor by the gentleman who was responsible for the most vindictive biography of him, Dr. Rufus W. Griswold.

But it was not till 1853, when *Putnam's Monthly* was established in New York by George Palmer Putnam, that the American monthly magazine can be said really to have found itself. It must be admitted, when one looks over the file of the magazine during the first year or two of its life, that it entered the arena very fully equipped—a full-grown Minerva of magazines. Some one, reminiscing concerning those

early days and the genuine excitement caused in educated households by the appearance of a true literary monthly, tells of recently finding an early copy thumbed to very tatters. "Small blame to me!" he exclaims. "For it contains the opening installment of Herman Melville's 'Enchanted Isles' published in the magazine under the ridiculous pseudonym of 'Sylvester B. Tarnmoor.' It contains the first installment of the Fireside Travels, which a few years later were republished as the acknowledged work of Lowell. It also contains a sketch, 'Connecticut Georgics,' which a boy who had spent his summer on a farm found more fascinating than either. Being at that stage of pubescency when 'Ik Marvel's' *Reveries of a Bachelor* and *Dream Life* take strong hold of the 'primrose fancies of a boy' as they have done for boys of every generation since, I inwardly ascribed this sketch to my admired reverist, partly induced, no doubt, by the localization of the title. It is only just now that I learn that, like many another good thing in the published volumes, my sketch was the work of Frederick Beecher Perkins. Add that the poetry of the number comprises Longfellow's 'Two Angels,' Lowell's 'Without and Within,' Henry William Herbert's 'Sehnsucht'—add these and you have a list of contributions and contributors which a magazine of these current months would find it difficult if not impossible to match. Nor was this, it appears, an exceptional number. The contributions in those days were anonymous, as in all the other magazines, unless in some of them the serial of a British novelist whose name was an asset was ostentatiously 'conveyed.' Hence, as to the contributions which have remained unreprinted, the publishers' private record contains all that is now to be learned. Unfortunately, the record extends only from the beginning of January, 1853, to April, 1855, but this space amply suffices to show that though those were the days of small things as to

the prices of contributions they were by no means such as to their value. What does the modern reader say, for instance, to a poem by Lowell of some thousands of lines, at least as long, one guesses, as the 'Fable for Critics,' which has remained unreprinted to this day? . . . Perhaps the best way of acquainting the reader of the newer generation with the scope and purport of the 'Old Put' will be to quote from the table of contents of the first number."—C. F. B., R. B. Kimball, G. W. C., P. G., Thoreau, O'Brien, C. A. Dana, Lowell—translate the initials and it is a brilliant title-page! —"Was ever an American magazine launched under more brilliant literary auspices, or with a list of contributors so recognizable half a century later? Mr. Kimball's fame has faded, though he was the author of a novel that was 'one of the best sellers' of his time. C. F. B. was Charles F. Briggs, who also had his successes under the veil of Harry Franko. No New Yorkers will fail to detect from their initials young Parke Godwin and young George William Curtis."

It is interesting to note that then as now the school of daily journalism was the training ground for the best of the magazinists. The reminiscences go on: "It was the journalistic readiness and versatility which impress us in this first number of *Putnam's*. Three prose stories or sketches quite up to the standard the new magazine had set for itself, a review of music and the fine arts, quite ditto, nay, dropping three times into poetry, in a friendly way, with entirely negotiable 'copies of verse,' and apparently not disdaining to fill out with two of them, one of eighteen lines and one of eight, awkward 'poet's corners' left in the 'make-up.' If there was any other New Yorker of that time who could have accomplished such a *tour de force*, it was Henry William Herbert, in those years irradiating the editorial columns of the New York *Times*. . . . Daily journalism was evidently the main literary reliance of the new

enterprise. Longfellow, Lowell, Thoreau, and Melville were almost the only contributors to the new enterprise who could be called authors in contradistinction to newspaper men, and the newspaper men were preponderantly, almost exclusively, recruited from the staff of the *Tribune*. Quite rightly and inevitably so, since the *Tribune*, then in its twelfth year, had established itself as the organ of the humanities, the center of all the virtuosity and nearly all the intellect of the place. . . . Mr. Godwin indeed came from the *Evening Post*. Mr. Maverick, the compiler of the scientific notes, was already, I think, a useful journeyman on the *Times*. But 'G. W. C.' and 'C. A. Dana' were of the *Tribune*. In subsequent numbers appear the names of Clarence Cook, then the art critic of the *Tribune*, of George Ripley, its literary critic, of W. H. Fry, its musical critic, of Bayard Taylor, its very special correspondent. . . . Fitz-James O'Brien appears in the first number as the critic of 'Our Young Authors,' the first of the youngsters treated being Donald G. Mitchell, and the second Herman Melville. This brilliant Irish Bohemian, who, ten years later, was to give his life for his adopted country, might more fairly than any other contributor be called a magazinist in contradistinction to a journalist."

In 1857 this magazine of such brilliant promise, the forerunner of the literary magazines which have followed since in such numbers, failed, probably as a result of the panicky conditions preceding the Civil War. In 1867 its publication was renewed by Mr. Putnam, but in 1870 it was sold to the Charles Scribner Publishing Company and became part of *Scribner's Magazine*, of which Dr. J. G. Holland was editor.

It was almost sixty years ago, in 1857, that the *Atlantic Monthly* made its first appearance. Like *Putnam's* and all the early magazines, its contributions were anonymous, and only by their later reprinting in book form is their author-

Washington Irving

MARSHALL SYLVANUS DRIGGS

Fire insurance underwriter; born in New York City, January 9, 1834; son Edmund and Delia A. (Marshall) Driggs; educated George Payn Quackenbos' High School and Reading (Conn.) Institute; married in Reading Ridge, Conn., December 2, 1857, Mary Elizabeth Sanford; Became a policy clerk of the Williamsburgh City Fire Insurance Co. of Brooklyn, March 22, 1853; later assistant secretary; director, 1868; chairman of the finance committee, 1883; president, 1892; Director First National Bank of Brooklyn; trustee Williamsburgh Trust Co., Broadway Trust Co.; director Casualty Co. of America, National Foundry Co.

ship traceable. That most delightful of all its contributors the writer with whom its fame is indissolubly linked, Oliver Wendell Holmes, writing at a much later period about the early days of the *Atlantic*, said: "In the meantime the nebula of the first quarter of the century had condensed into the constellation of the middle of the same period. When, a little while after the establishment of this magazine, the 'Saturday Club' gathered about the long table at 'Parker's,' such a representation of all that was best in American literature had never been collected within so small a compass. Most of the Americans whom foreigners cared to see—leaving out of consideration official dignitaries—were seated at the board. But the club did not yet exist, and the magazine was an experiment. There had already been several monthly periodicals, more or less successful and permanent, among which *Putnam's Monthly* was conspicuous, owing its success very largely to the contributions of that very accomplished and delightful writer, Mr. George William Curtis. That magazine, after a somewhat prolonged and very honorable existence, had gone where all periodicals go when they die—into the archives of the deaf, dumb, and blind recording angel whose name is Oblivion. It had so well deserved to live that its death was a surprise and a source of regret. Could another monthly take its place and keep it when that, with all its attractions and excellencies, had died out and left a blank in our periodical list?"—How this question has been answered by the intervening years!

In these same reminiscences of Dr. Holmes is a sketch of one of the figures most prominent in the magazinedom of that early time—as frequent and beloved a contributor as —shall one say it?—the Henry van Dykes and Margaret Delands and others of our own day, without whom no magazine is quite complete. This was Nathaniel Parker Willis. Holmes, recalling him, mentions the house "from which

emerged one of the liveliest of literary butterflies. The father was editor of the Boston *Recorder*, a very respectable but very far from amusing paper, most largely patronized by that class of the community which spoke habitually of the first day of the week as 'the Sahbuth.'" To his contemporary young Willis appeared "something between a remembrance of Count d'Orsay and an anticipation of Oscar Wilde. There used to be in the gallery of the Luxembourg a picture of Hippolytus and Phædra, in which the beautiful young man always reminded me of Willis, in spite of the shortcomings of the living face as compared with the ideal. The painted youth is still blooming on the canvas, but the fresh-cheeked, jaunty young author has long faded out of human sight. I took the flower which lies before me at this moment as I write, from his coffin as it lay just outside St. Paul's Church on a sad, overclouded winter's day in the year 1867. At that earlier time Willis was by far the most prominent young American author. Cooper, Irving, Bryant, Halleck, Drake, had all done their best work. Longfellow was not yet conspicuous, Lowell was a schoolboy. Emerson was unheard of. Whittier was beginning to make his way against the writers with better educational advantages whom he was destined to outdo and to outlive. . . . That was the day of souvenirs, tokens, forget-me-nots, bijous, and all that class of showy annuals. Short stories, slender poems, steel engravings on a level with the common fashion plates of advertising establishments, gilt edges, resplendent binding—to manifestations of this sort our lighter literature had very largely run for some years."

From this tinselly beginning, which the most charming of essayists thus preserves in crystal for us, to *Putnam's*, to *Harper's Magazine*, which, established in 1850, soon led its associates in the production of a serious literary magazine, to the *Century* which sprang in 1881 from the *Scribner's*

Magazine which Dr. Holland had conducted from 1870 until 1881, to the new *Scribner's Monthly* begun five years after the merging of the old in the *Century;* and from these to that great influx of popular periodical literature of the last decade of the nineteenth century,—here is wonderful progress indeed.

In literature itself—that art held by some to be so widely divergent from "writing for the magazines" or "writing for the papers"—New York was early distinguished. Out of the "annuals," the "souvenirs," the "lady's treasure boxes," or out of contemplation of life or browsings in libraries upon the products of the English writers—somewhere—was born among the men of those remote days the desire for a real expression in letters of our early national life. And it happened, then as now, that when New York did not herself bear writers, the cities and towns of their nativity did contribute them later in life to the metropolitan city.

In almost all the histories of American letters, the father of American letters, certainly of American fiction, is held to be Charles Brockden Brown, who, chronologically, at least, seems to deserve his title. He was a Philadelphia Quaker by birth, and he antedated the Revolution by five years. Bred to the law, he decided early in life that his heart was in literature, and he undertook to support himself by its practice. As has befallen so often since, the result of this decision was to send him to New York where practically all of his writing days were passed, and where he died of consumption in 1810. In spite of the fact that his maturity coincided with a period of intense national feeling—between the Revolution and the War of 1812—his novels struck no national note, unless, indeed, one dignifies by this description the tendency to speak in superlative praise of all things American and to decry all things foreign. This he had to an extent seldom surpassed. As for his novels, they are of

the school popular in England at the time, the school of the mysterious, the dreadful. Later, in Poe, this class of fiction touched, with us, the heights of genius. There is some gentle, sublimated suggestion of it in much of Hawthorne's work. But as Brockden Brown developed it, it was a fairly frank imitation of Mrs. Radcliffe with *The Mysteries of Udolpho* and similar tales. *Wieland*, Brown's best remembered novel, is distinctly of this class.

At about the period when Brown's career was closing, another luminary, to whom, in a much more real sense, the title of the father of American letters belongs, was rising. In 1806, Washington Irving, the son of a prosperous New York tradesman, began publishing a series of essays called the *Salmagundi Papers*. In 1809 he published his *Knickerbocker History of New York* in which the learned profess to find the same sort of playfulness which appears to-day in Mark Twain, in Dooley—in all distinctively American humor—that almost imperceptible gliding from sense to nonsense and back again which has become one of our characteristics. This history, like several other permanent pieces of literature, was lightly undertaken, Irving and his brother beginning it as a parody upon Dr. Samuel Latham Mitchill's bombastic *History of New York* published in 1807.

Irving's was a distinguished career. He was the first American writer to be seriously considered in England. He was employed in both England and Spain on diplomatic missions—being Secretary of the American Legation in London from 1829 until 1832 and Minister to Spain from 1842 until 1846.

The other great name in American letters of this period belongs to New York, although it was in New Jersey that James Fenimore Cooper was born. His father moved in 1789, however, when he was about a year old to that part

of New York known now as Cooperstown. Here the elder Cooper maintained a sort of savage feudal estate upon a vast property. Until he was fourteen the boy lived there, storing up the impressions which made him the first of the American "nature" writers. For it is in his feeling for nature and in his fidelity in its portrayal that his permanent greatness, perhaps, lies. Nowadays we do not believe in the verisimilitude of Cooper's Indians, but we cannot doubt the lifelikeness of his backgrounds. He was partly educated at Yale, then under the great Timothy Dwight, and leaving that institution of learning at something like the urgency of the faculty, he went to sea, eventually becoming a midshipman. In 1811 he married, and resigning his commission settled in Westchester. He began his literary work by an anonymous novel *Precaution*, a tale of fashionable English life written chiefly because Cooper thought that he could write a better story than a certain now-forgotten English novel of the day. The next year, in 1821, he came into his own with *The Spy*, a tale of the Revolution. Then came *The Pioneers*, *The Pilot*, *The Last of the Mohicans*, and the rest of the long list of his works.

Those early days were not without their New York poets. Of these, before William Cullen Bryant appeared to dominate the horizon with his great, impressive figure, the chief were James K. Paulding, whose name might have gone into complete oblivion had he not collaborated with Irving in the production of the *Salmagundi Papers;* Joseph Rodman Drake, who wrote "The Culprit Fay," and Fitz-Greene Halleck. The two latter were intimate friends during Drake's brief life—he died in 1820, only twenty-five years old—and the only poetical work of Halleck except "Marco Bozzaris" which has survived neglect is a poem on the death of his friend, the first stanza of which is the really touching, simple, and beautiful one:

Green be the turf above thee,
Friend of my better days!
None knew thee but to love thee,
Nor named thee but to praise.

The two young men had collaborated in the production of the "Croaker Papers," the appearance of which in the *Evening Post* of that period used to be awaited breathlessly and apprehensively, like the celebrated Junius papers in England. These poetical, satirical criticisms of events and people, locally important, created a stir in the dignified New York of the time which the most voluble of modern scolds and reformers might rejoice to arouse.

It was to this New York that Bryant came—a country lawyer from Massachusetts, son of a country doctor. He was, perhaps, the first of the long line of the distinguished men from that commonwealth which has added fame to the history of New York letters. Certainly he was far the greatest of the early period. He was, indubitably, the first great American poet. Great he was from the beginning of his career. "Thanatopsis," written when he was seventeen, is as noble, as finished, structurally and spiritually, as anything he published during his long life.

But Bryant was not only a poet. He was a journalist as well, and perhaps to a greater—certainly to a more admitted—extent than any American editor who has succeeded him, he dignified his calling. He edited the *Evening Post* for half a century, and in all his editorship there was nothing of which the high, luminous poet in him could have been ashamed; and, more remarkable still, nothing which needed the leniency of the counting-house department of management. His was, in every sense, a great and vigorous personality. That he should have died in 1878, at the age of eighty-six, from a sunstroke received while he was delivering a speech at the unveiling of a Central Park monument,

HENRY EVANS

President of the Continental Insurance Co. and the Fidelity Phenix Insurance Co. of New York; was born in Houston, Texas, April 14, 1860. Some time after the close of the war, went to New York, where he was educated, leaving Columbia College School of Mines to enter the service of the Continental in March, 1878, as a junior clerk. Became secretary of the agency department May 10, 1888; was elected second vice-president, retaining the agency department secretaryship in 1889; vice-president January 14, 1892, and president January 15, 1903. In March, 1904, assumed the chairmanship of the Committee of Twenty on congested districts of cities of the National Board of Fire Underwriters. In June, 1906, formed the Fidelity Fire Insurance Company, of which he is president and a director. In December, 1909, he was requested by the directors to take control of the Phenix Insurance Company of Brooklyn, which company was in trouble because of irregularities in its administration, and he succeeded in saving the Phenix's agency plant. On March 1, 1910, the company was merged with the Fidelity Fire Insurance Co., under the title of the Fidelity-Phenix Fire Insurance Co., and Mr. Evans was elected president of the merged company.

speaks volumes for the mental and physical quality of the man who lived and wrought so long and so splendidly in New York. Truly in those days there were giants in the land.

Until about 1890, the well-established magazines continued in kind very much what the old *Harper's* and *Putnam's* had promised. Names which will be preserved in the history of letters are found on their pages of contents. Brilliant, scholarly, oftentimes timely, the fine print of their yellowed pages holds much that is choicest in our literature. But they were magazines more or less for the elect, the literati, the illuminati; they did not deal largely in that form of timeliness which is so familiar to us to-day. Exposure, warning, that had been rather the province of the daily newspaper and of the weekly. It was *Harper's Weekly* and not the *Monthly* which, through Nast's cartoons, destroyed the power of the Tweed Ring, and sent the chieftain into exile. It was *Harper's Weekly* and those same cartoons, by the way, which discovered him in his retreat, and haled him home to his punishment. It was *Harper's Weekly* and not the *Monthly* which played an important part in the events preceding the Civil War. *Harper's Weekly* was a brilliant and a stirring force. The monthlies dwelt in a higher, rarer, more tranquil air—or so it was supposed.

But the nineties saw a wonderful change in the magazine world. Periodicals were issued to please the eye—not primarily because the publishers had discovered a fondness for pretty pictures among a large rural constituency, but primarily because some one had invented a cheap process for reproducing pictures which took the place of the expensive and laborious wood and steel cuts used up to that time. *Munsey's Magazine* led the army of the popular pictorial periodicals. Its followers, its improvers, have been legion. There can be no doubt that, as in the ancient brotherhood of dignity and worth, *Harper's*, the *Century*, and the rest,

the claims of the intellectual man were considered, so the new magazines gave careful and highly profitable attention to the needs and the desires of the man who made no pretense of unusual intellect. Pictures, light literature, amusing verse, articles of the most ephemeral value, gossip—these were the mental food products at first offered by the newer magazines. The literary limitations as well as the financial limitations of the great "common" people were very well understood or very sympathetically divined by the publishers of these periodicals. And what has the result been? It has been twofold. Those trifling, half-picture magazines, have been, as it were, the primer on which a non-reading public learned to read; having learned to read, that public demands a somewhat more solid volume for its delectation. Those magazines have had to improve their own quality and tone to meet the demands which they themselves have created. And meantime the older brethren of the magazine world have had to come down somewhat from the mountain heights on which they dwelt, and have been obliged to consider the needs of that ubiquitous person, the man in the street. Gradually the older magazines have been popularized, without, it may be confidently asserted, injury to their standards or their style, while the popular magazines have been strengthened, solidified, dignified, to meet the demands of the public that they themselves have created.

Charles Dana, who knew a great deal about it, once said that there were two kinds of newspapers, "those made for sensible persons and those made for fools." "It is perfectly right," he declared, "to provide for the fools in special newspapers; and that duty is extensively and conscientiously performed by gifted and conspicuous individuals, and I have heard that some of them make money by it." The caustic saying is no less true of magazines than of newspapers.

One of the most interesting literary results of the enor-

mous growth of the popular magazine, with its immediate response to the need of the moment and its entire indifference to the longer need, has been the development of the American short story. We are still the leaders in this form of literature among English-speaking people. The perfect style and grace attained by those masters of the short story art, the French, is certainly not yet ours, but we have outdistanced our English brethren to a marked degree. Though they still seem to be the masters of the essay form—that form which demands the atmosphere of leisure, the background of long scholarship—yet to us the short story palm must be awarded. There seems to be something peculiarly congenial to the American temperament, with its nervousness, its sense of dramatic values, its humor, its restlessness, in the short story. The honor roll of our short story writers is a long and resplendent one. Not even to the French can Mary Wilkins yield the palm for fine, delicate, marvelously terse delineation of character and of situation. Alice Brown is another of the most charming of the short story tellers. Mrs. Wharton's genius still seems to many of us to have found its happiest expression in her briefer studies of character in a single episode or a single setting.

Next to its influence upon the development of the art of short story writing, the New York magazine of these later days has had an important effect upon art in the pictorial sense. The cynics may sneer and declare that but for the new monthlies, with their insistence upon catching the eye of the thoughtless with a picture, many excellent and worthy young men and women, who should be following the plow or hemming muslins, would be pursuing their proper calling; and it is true that much that passes as illustration is not even second cousin to art. Nevertheless, the field of illustration has offered a development to a school of real artists which would otherwise almost inevitably have failed of the

true means of expression. At the present time particular interest attaches to this view of the case. The American academicians are accused of all sorts of sins, of stiffness, unoriginality, "prettiness," and hide-bound tradition. Critics—the genuine critics of art, not the mere carpers at existing situations—find the promise of the future—where? Almost without exception among the men who had their training and made their early reputations as illustrators in the newspapers and the magazines. These are the men who in one way and another have seen life raw, and have striven to reproduce it as they have seen it. Their genius, their talent, is their individual gift from heaven; their technique, their sense of values of light and shade may be partly the gift of their schools and their masters; but their ability to paint life, to get away from some time-honored convention of beauty, has been the gift of the periodicals on which they have worked—the "timely" writings which they have had to illustrate, the journeys they have had to take, not whither their artistic impulses led them but whither dramatic happenings summoned. The militant "eight" of whom we of New York hear much—George Luks, Robert Henri, and the rest—the latest rebels against the dictates of the Academy and, according to not negligible authority, the latest hopes for the future of art in America—are almost without exception men who have done much illustrating.

The newer school of magazine literature has developed something besides the short story. It has developed what may be called the campaign literature of civic decency. To do this it has, of course, encroached more or less upon the field of the daily newspaper, but it has accomplished its results in a way which the newspaper failed in doing. Exactly why it should be true that the scream which passes unnoticed in the morning paper becomes a loud, insistent, thought-compelling cry in the monthly magazine, it is diffi-

Gustav Lindenthal

GUSTAV LINDENTHAL

Civil engineer; born Brunn, Austria, May 21, 1850. Pursued scientific studies at colleges in Brunn and Vienna, 1864 1870; employed on surveys and construction of railroads and bridges in Austria and Switzerland till 1874, when he came to United States; engineer Centennial International Exhibition, Philadelphia, 1874 77; thereafter consulting engineer in construction of western railroads, with main office at Pittsburgh; removed to New York City, 1892; commissioner of Bridges, City of New York, 1902 03; completed construction of Williamsburg bridge, and made plans for the Blackwell's Island and Manhattan bridges; was member of board of six consulting engineers which planned the tunnels and terminals of Pennsylvania Railroad under the North and East Rivers and in New York City; engineer and architect Hell Gate bridge over East River for New York Connecting Railroad, which, when completed, will be the longest steel arch bridge in the world, president North River Bridge Co.; member British Institute of Civil Engineers, American Society Civil Engineers, Canadian Society Civil Engineers, Verein Deutscher Maschinen Ingenieure in Berlin, and other similar organizations.

cult to determine. Perhaps, in spite of ourselves, we cannot fail to attend more to that for which we have paid ten, fifteen, twenty-five or thirty-five cents than to that for which we have paid but a penny or two. Or perhaps it is that the magazines have so far been kept freer from the suspicion of political bias than the newspapers. Most of us know, or believe that we know, that the newspapers are the organs of a rich man's ambitions, a corporation's desires, a political party's needs. With one or two signal exceptions we do not believe this in regard to the monthly magazines. Consequently we attend to their warnings with a soberer interest.

That this literature of outcry, of denunciation, this universal muck-raking, has been tiresomely overdone, there is no possibility of denying. But that in its saner forms it has been productive of immense good is equally impossible of controversion. We have been stirred out of our sluggish self-content. Willy-nilly, we have been obliged to recognize that our political system is susceptible of grave abuses, that our social system is not impregnable to corruption, and that only by the active interest and labor of ourselves—ourselves, "the better element"—can all manner of hideous civic disease be cured and prevented. If it had done no other thing than this, the popular magazine would deserve a place in the literary hall of fame.

How our magazines strike a foreign contemporary is of interest and even of importance to us. "There can be little doubt, we think, that American illustrated magazines are decidedly better, and, having regard to the quality of their engravings and the quantity of their letter press, much cheaper than their English competitors. Which of our magazines, for example, can compare with *Harper's?* The cause of this superiority is an interesting question."

"Praise from Sir Hubert is commendation indeed." When an English literary and critical review, not famous for

too urbane a spirit, goes out of its way to pay compliments like this to our periodical press, we can indeed plume ourselves on having accomplished something remarkable. The *Spectator*, in which this appreciation appears, is somewhat overcritical in its outlook upon all the world, and perhaps particularly so in its attitude toward things American. Yet see how long a way we have come since the days when Sydney Smith stabbed our national vanity with a sneer, demanding to know "who ever read an American book."

The *Spectator* attributes part of this superiority which it so gracefully concedes to the American magazine to our postal regulations, which, it seems, are more favorable to publishers than those in England. But even having done this, it goes on handsomely: "It would, however, be equally wrong to assume that the postal advantages enjoyed by the American magazines are the sole, or indeed the main, cause of their superiority to our own. It lies in the fact that magazine readers, and readers generally, are not only absolutely but relatively far more numerous in the States than they are here, and that the average American reader both buys more books and pays a higher price for them than the average English reader. . . . Among other reasons for the prosperity of American magazines and periodicals generally are the marvelous enterprise and energy of their conductors. A New York weekly paper has been known to spend £5000 in advertising a short romance of small merit by an author of no great repute. The larger magazines, besides paying liberally for ordinary contributions and spending largely on their illustrations, never consider expense when it is a question of obtaining something striking or new. . . . If it were physically possible, they would be quite capable of sending expeditions to survey Saturn and illustrate the mountains of the moon."

The city which has benefited most—if benefit it shall

be called—by this amazing and prodigious increase in the output of the presses, is New York. One of the most interesting features of the great public library lists of periodicals is the place of their publication. Looking over page after page of them one is struck by the continual recurrence of the word "New York." London, Paris, and this city are the great periodical publishing centers of the world. In the United States the magazine activity is confined so closely to the East that the Western publications are almost a negligible quantity. One finds, of course, the *Overland* or the *New Californian* of the Pacific Coast. Not long ago one found the *Lakeside Monthly* of Chicago. And there are, to be sure, scattering periodicals bringing up the tail of the great lists like the scattering votes for practically unknown candidates in the great elections. There is an occasional Des Moines, an occasional Minneapolis, an occasional Denver imprint, but for the most part the production of periodical literature is confined to the section east of the Alleghenies, and particularly to New York City.

Of course this was not always so. Boston's early supremacy in the magazine field is something which Boston does not allow the rest of the country to forget, even if it were inclined to do so. But the last twenty-five years have seen a great change in the respective positions of Boston and New York in this regard. The *Atlantic Monthly* still remains to the city of the gilded dome a reminder of past glories, and a monument of present importance. But except for the *Atlantic*, the periodicals published in Boston are practically negligible.

In this city it is a dull week, one may almost say, which does not see a periodical begun or a periodical ended. But during the past ten or fifteen years, in spite of the death of many abortive publications, there has been a steady increase in the list of New York magazines. Of the so-called "lit-

erary" sort alone—the kind dealing with life, art, and letters in general, not the organs of a specific profession or trade—there are about 180 published in New York.

The circulation of these magazines is no less remarkable than their number. For a "popular" periodical to claim a circulation of a million copies is not unknown. The five hundred thousand circulation list is a mere commonplace of magazinedom. *Everybody's*, at the time when Lawson's "Frenzied Finance" articles were appearing, is said to have reached the million point in circulation. *Munsey* claims to have touched the 750,000 limit. *McClure's* is another of the great popular successes.

These claims of an immense circulation are even commoner in the New York dailies and the Sunday newspapers than in the weeklies and monthlies. A circulation of a million is something which almost any of the metropolitan newspapers will claim without a quiver. The figures quoted on the Sunday papers are simply staggering in their immensity. Rival publishers prepare statements showing how the dealers who advertise in their respective journals will have an audience of anywhere from a million to twice that number, as against half as many allowed to the combination of all their competitors.

That these claims are often absurdly extravagant there is no possible denying. But, on the other hand, that the circulation is something which would have been unbelievable thirty years ago, and which is almost unimaginable to the human mind now, is also certain. The Sunday newspapers travel to every remote hamlet. The evening newspapers appear in successive editions from nine o'clock in the morning until the same hour or later at night. So addicted to the newspaper habit is the average American that he buys half a dozen of these editions in a day, especially when any event of national importance is enacting. During the Span-

ish War those evening "extras" were bought literally by the score by almost every individual in New York; and although matters of such universal interest as war are rare, nevertheless the publishers of the daily newspapers are masters of the art of stimulating public curiosity in regard to whatever is going on in the world, and of the allied art of deluding newspaper buyers into the belief that something vitally important is happening every hour.

Of course these claims to enormous circulation, on the part of both newspapers and magazines are bait for the advertisers. It is in the advertising that the prosperity of the publications lies. From this fact springs the charge that it is the countinghouse which rules the policy of both the great dailies and the great monthlies. The truth of this charge, as far as the dailies are concerned, there may be no refuting, but the history of the metropolitan newspapers does not show that the days when the editorial and not the business office dictated a journal's policy were so much wiser than our own. Greeley, Godkin, Dana—great men and great editors though they were—were also violently prejudiced human beings in many regards. Greeley utterly failed to interpret the sentiment of the country, in the days preceding the Civil War, in regard to the John Brown affair. All of them made many mistakes in policy, perhaps not such sordid ones as those of the countinghouse, but no less wrong-headed. The result, on the whole, of the new place of dictating policies has not been detrimental to the public interests; newspapers have tended to become rather more the mediums for communicating actual news, and less the teachers of the public. Consequently every man is more his own editor than in the old days.

That the enormous circulation claimed by the great New York popular magazines has been in no degree detrimental to the older established ones is one of the evidences

that in this country there is room for all sorts and conditions of literature. The more expensive periodicals have been enabled to maintain their advertising by a claim which appeals as strongly to the intelligence of the advertisers as does the claim of enormous circulation, namely, that of an exclusive and highly cultivated circulation. To appeal to a vast mob is, of course, gratifying to any merchant with products to sell; to appeal to a thoughtful and presumably a prosperous clientele, is equally to be desired. It is this fact which has enabled the expensive magazines to maintain their own in competition with the cheaper ones.

In a sense, the history of New York newspaper development during the past half century has paralleled that of magazine development. Here again the wonderful inventions and improvements in machinery, the discovery of the method of transmuting a forest tree into a Sunday supplement or an evening extra, have played an incalculable part in increasing the newspaper output. An observer who had a unique life in which to mark the changes in our current literature and whose interests led him to study them, the late Richard Watson Gilder, once had some pregnant and valuable things to say on this subject in an interview.

"I suppose," he is quoted as saying, "in no country are newspapers so much an integral part of the people's life and thought as here in America. We are, as Mr. Bryce says, the great reading people of the world. You see the contrast if you go to Southern Europe, for instance. There illiteracy is common and the people depend to a great extent on talk and local gossip for their daily enlightenment. I think that we have a greater eagerness than they to know what is going on in the world. . . . The enormous appetite the public has for periodical literature seems astonishing, but it is perfectly natural. One of the strongest traits in the

Geo. Pitcher

GEORGE PRESTON SHELDON

Insurance officer; born in New York City, January 17, 1847; graduated from Yale in 1867, with degree of A.B. Became president Phenix Insurance Co., 1888. Member Chamber of Commerce, Metropolitan Museum of Art, Yale Alumni, Athletic, University, and New York Clubs. Died December 25, 1909.

human mind is curiosity. The newspaper habit is the result of our attitude of inquiry toward all mankind. Curiosity accounts in a great measure for our love of literature, for our love of news, for our love of life. . . . The aspect in which the daily press has changed most within my recollection is in its development of sensationalism. This sensational wave which started in the West has now swept across the country from ocean to ocean. But the new journalism is not without its good points. Along with all the sensationalism, the lack of responsibility, the getting together of 'fake' news, and the contriving of evident pictorial falsehoods, a great deal of talent goes into the make-up of the papers. The editorial pages, especially, contain a remarkable amount of expert and expressive writing."

Colonel George Harvey, president of Harper & Brothers and one of the most honored figures in the American world of journalism and literature, is equally generous in his judgment of the latter-day newspaper press and equally hopeful in his outlook. Many critics, lacking the fine literary sensibility of these men, have deemed it incumbent upon them to be pessimistic. They have professed to see nothing but unmitigated harm in the wave of sensationalism which has, truly, swept over the country within the last twenty-five or thirty years, and from the influence of which not even the staidest of the old guards of daily journalism has entirely escaped. Yet to the writer of this *résumé*, too, the situation seems not so unmitigatedly gloomy as the pessimists would have us believe. That the school of humor which the quick-printing color press has foisted upon us is a horror is not to be denied. That the effect upon young minds and upon uneducated minds of all ages of the constant preaching of class antagonism, the constant exploiting of crime and sordid tragedy, is deplorable is also not to

be controverted. But just as the cheap magazines—cheap being used here in relation to the sort of intellectual pabulum they offer their readers and not to their price—effected their own cure by the very harm which they wrought, so with the sensational daily newspapers. They attract a class of readers who might never read a printed line if our estimable *Tribune*, our worthy *Times*, and even our brilliant *Sun*, were the only daily journals on the market. To those who buy the others, the sensational newspapers, these productions are, as it were, a primer; from them the habit of reading grows. It is doubtful if the readers of the more objectionable of the "screamers" are the same from year to year. The class to which their appeal is particularly addressed may rapidly outgrow the appeal, and seek a more worthy source of information.

Meantime these dailies, with their prodigious ability, their unequaled generosity in many causes which the old-time newspaper regarded as not at all its province, have not only been a primer in which the ignorant have learned to read the news, but they have also been the means of infusing a new life and vigor into the more conservative journals.

The frequent complaint against modern journalism—that it is offensively personal—cannot be altogether ignored. It *is* offensively personal; it is often gratuitously insulting, outrageously meddlesome. Undoubtedly when the British press was feebly struggling toward that "freedom" which the nation now regards as the bulwark of its liberties, kings and ministers, nobles and parliaments, felt the same thing to be true of it. With a change of sovereigns, the situation is not so very different. The regnant American citizen finds himself in much the same position in which George IV., for example, found himself when young Mr. Leigh Hunt was sent to prison for writing about his liege. That some restraint should be put upon the publishers of newspapers

can scarcely be denied; but that the idea of private rights, based upon a purely individualistic conception of society should give way to another conception is far from being an absolute evil.

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